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**INDONESIA'S GREAT POWER AND SUPERPOWER ENVIRONMENT  
IN THE POST COLD WAR ERA: A STUDY OF INDONESIA'S SEARCH  
FOR A DYNAMIC REGIONAL EQUILIBRIUM**

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submitted in fulfilment  
of the requirements for the degree

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in  
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by  
**AHMAD SYOFIAN**



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## **ABSTRACT**

Against the backdrop of regional transformation, during President Soesilo Bambang Yudhoyono (SBY) period of office from 2004 – 2014, Indonesian officials have frequently expressed an expectation of a peaceful region through the promotion of a concept called the maintenance of a dynamic equilibrium. The concept was developed in the light of the rise of China, the US' reengagement and Japan's transformation, and is a response to the great power and superpower interactions in the region.

This study is thus timely, significant and relevant as well as important in contemporary Indonesia. First, it analyses the impact of regional dynamics on Indonesia, which have been perceived differently and with uncertainty especially by Indonesian elites. Secondly, it provides a study on Indonesia's foreign relations in pursuit of the country's search for a dynamic regional equilibrium. In so doing, it sheds light on Indonesia's foreign policy which, for some scholars, is considered less focused and irrelevant, especially in responding to great powers dynamics in the region.

This thesis uses two main techniques of data collection to explore its main objectives: interviewing and textual / documentary investigation. The data collection was conducted, first, during the SBY Administration (from March to September 2014) and, secondly, during the Jokowi Administration (from June to September 2016). The data collection was primarily through in-depth interviews, which were semi-structured, with more than 50 officials and eminent persons involved in the process of Indonesian foreign policy making. The textual, or documentary, investigation was conducted using both primary and secondary resources. This research is qualitative in nature, but it contains data and statistics to support the analysis. This study sets its time frame into the end of 2016.

The research has two main findings. First, the great powers and superpower dynamics and interactions in the region generate opportunities for and threats to Indonesia's interests. On the one hand, their presence and interactions enhance Indonesia's hedging and even-handed policy that provide an opportunity to earn maximal gains and avoid a total loss. On the other, the element of competition between them has the potential to trigger disputes and creates instability in the region. In addition, some elements of opportunities also come

along with threatening factors. Secondly, the research finds that Indonesia has displayed an array of efforts conforming to the policy of equilibrium maintenance. Indeed, despite some weaknesses, there has been a degree of maintaining a policy for balancing or even-handed strategies in Indonesia's foreign relations with the US, China and Japan, as well as in the country's participation in ASEAN and the Family.

At the end, this research finds that Indonesia's relations with the superpower and great powers, as well as in ASEAN and the Family, are only a part of Indonesia's foreign policy practices in the region. Accordingly, the discussion of Indonesia's foreign policy towards the US, China and Japan in relation to a search for the maintenance of a dynamic equilibrium, is not distinct from that towards other countries in the region. In this respect, promoting a regional dynamic equilibrium is a collaborative effort that requires the support and participation of all states in the region.

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## **LIST OF ABBREVIATIONS**

ACFTA	:	Asean-China Free Trade Area
ADB	:	Asian Development Bank (ADB)
ADIZ	:	Air Defence Identification Zone
ADMM-Plus	:	The ASEAN Defence Ministers' Meeting Plus
AEC	:	ASEAN Economic Community
AIIB	:	The Asian Investment and Infrastructure Bank
AMF	:	Asian Monetary Fund
APEC	:	The Asia Pacific Economic Cooperation
APSC	:	ASEAN Political Security Community
ARF	:	The ASEAN Regional Forum
ASC	:	ASEAN Socio-cultural Community
ASEAN	:	The Association of South East Asian Nations
ASEM	:	Asia-Europe Meeting
CoC	:	The Code of Conduct (in the South China Sea)
DoC	:	Declaration of Conduct
ECS	:	The East China Sea
EEZ	:	Exclusive Economic Zone
FONOP	:	Freedom of Navigation Operation
FTAAP	:	Free Trade Agreement in Asia Pacific
GEP	:	The Global Entrepreneurship Program
IUSSD	:	The Indonesia-United States Security Dialog
MEF	:	Minimum Essential Force
MoFA	:	Ministry of Foreign Affairs
NDPG	:	The National Defence Program Guideline
NDPO	:	The National Defence Program Outline
ODA	:	Official Development Assistance
OPIC	:	The Overseas Private Investment Corporation
PLAN	:	People's Liberation Army Navy
RCEP	:	The Regional Comprehensive Economic Partnership
ReCAAP	:	Regional Cooperation Agreement on Combatting Piracy and Armed Robbery against Ships in Asia.



SBY	:	Soesilo Bambang Yudhoyono (Indonesian President Periode 2004-2009 and 2009 – 2014)
SCS	:	The South China Sea
SDF	:	Self Defence Force
TAC	:	The Treaty of Amity and Cooperation
TIC	:	Trade Investment Council
TPP	:	The Trade Pacific Partnership
US (or USA)	:	The United States of America
USIBDD	:	The United States-Indonesia Bilateral Defense Dialog
USSR	:	The Union of Soviet Socialist Republic
UN	:	The United Nations
UNMIT	:	UN Integrated Mission in Timor-Leste

## Chapter 1: Introduction

This study is about two interrelated issues; first, it is about how regional dynamics can have an impact on the interests of an international actor. Secondly, it is about the foreign policy of this international actor in responding to regional dynamics. This study, therefore, is divided into two parts; the first part seeks to elaborate the current dynamics of East Asia, which are dominated by superpower and great powers interactions, and how they have impacts on Indonesia, particularly to what extent, constitute threats and opportunities to the country, and the second seeks to evaluate Indonesia's foreign policy in response to these regional dynamics. In this respect, while the first part seeks to explore empirical regional dynamics, the second part focuses on analysing the practices of Indonesia's international relations and foreign policy in its search for a dynamic equilibrium in the East Asian regional security complex.<sup>1</sup>

In the first part, taking the end of the Cold War as a starting point, the study examines China's rise, US reengagement and Japan's transformation by incorporating contemporary and historical evidence and synthesising their contexts within particular theoretical frameworks. Drawing on its relevance and enduring threat perceptions in the minds of Indonesian elites, the study uses the theory of balance of threat and the concept of threat, as well as other relevant concepts to assess the impacts of regional dynamics.

The second part empirically assesses the practices of Indonesia's international relations and foreign policy as responses to the issues being discussed in the first part. It seeks to answer the question as to whether the policy of the maintenance of a dynamic equilibrium has found its expression in Indonesia's foreign policy practices. To this end, the study focuses on analysing Indonesia's relations with China, Japan, and the United States of America (US).<sup>2</sup>

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<sup>1</sup> Using an approach developed in Regional Security Complex Theory (Buzan and Wæver, 2003), East Asia here is defined as a geographical area consisting of the North East Asia and South East Asia sub-regional security complexes and, to some extent, Australia. Similar geographical definitions of East Asia have also been used by other scholars such as Ross (2003), Goldstein (2007) and Weissmann (2012).

<sup>2</sup> According to Regional Security Complex Theory by Buzan and Wæver (2003), after the Cold War, while the US is the current superpower, China and Japan are two great powers in the East Asian Regional Security Complex. This categorisation of power levels helps illuminate the context of great power interactions in the region which Indonesia along with other regional players are dynamically engaging in.

In addition, the study also assesses Indonesia's participation in regional institutions – the Association of Southeast Asian Nations (ASEAN) and the 'Family'.<sup>3</sup>

## **1.1 The Background of the Research**

Since the end of the Cold-War era, East Asia has seen a significant transformation and persistent regional challenges. The transformation also portrays shifts in countries' policies to respond to challenges that mainly result from uncertainty over the future regional outlook. The obvious transformations in the last decades have been highlighted by China's rise and US' reengagement, as well as Japan's transformation in the region. In view of this transformation, Indonesia seeks to support the creation and maintenance of peace and security in the region through a concept that is known as the "dynamic equilibrium."

### **1.1.1 Regional dynamics in the midst of China's rise, the US reengagement and Japan's transformation**

In general, regional dynamics have seen immense transformation since the end of the Cold War. This transformation can be categorised into two periods. The first was the immediate period after the collapse of the Soviet Union in which Japan's economy re-emerged and played a role in shaping regional strategic and economic balances. As Arase (1994) argues, the post-Cold War era pushed Japan to reshape its policy as it faced a dilemma over whether it would assume expanded military roles amid domestic and international constraining factors. Japanese security policy was characterised by increasing non-military contributions to international security. Within the same period, China was at the initial stage of an economic reformation which began in the late 1970s and crucially shaped the country's relative strength to what it is now. At this time the US was recalculating its policy in the region as the regional balance had changed in a way that was different from that during the Soviet presence.<sup>4</sup> The second transformation has begun recently. It is characterised by the rise of China, US' rebalancing, and Japan's transformation.

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<sup>3</sup> The word 'Family' is to borrow Jorg Friedrichs' term. By the ASEAN Family, this study refers to the ASEAN regional security tool box which includes a variety of regional groupings coordinated and initiated by ASEAN such as the ASEAN Regional Forum (ARF), ASEAN Plus Three (APT), East Asia Summit (EAS) and ASEAN Defence Ministers' Meeting Plus (ADMMPlus). For more discussion see Friedrichs (2012 754-776).

<sup>4</sup> For more discussion on regional transformation in the immediate aftermath of the Cold War, see McInnes and Rolls (1994) and Ross (1995).

These dynamics create a situation of increased power polarities where not only the US, but also other players seek to share the regional stage.

Robust economic development supported by easing tensions in the region has helped strengthen the power capabilities of regional states, including China. With rapid annual economic growth over the last decade, China has elevated its position as a great power in the region. However, along with this elevated status, the rise of China's power creates a new conundrum for East Asia's future presenting both opportunities and threats. Added to this, the rise of its power has also brought China to be one of the determinant factors shaping US and Japan's policies in the region. At the same time, US' engagement and Japan's policy in the region have also presented some discourses that merit China's attention in its foreign policy making (Christensen, 1999).

After the 1990s, China's peaceful rise and intensified cooperation with the region improved its friendly and benevolent posture in the eyes of neighbours. This has helped improve China's ties in the region including with state, which it did not have diplomatic relations with during the Cold War period. China's benign posture also gained momentum during the US' perceived reduced-presence in regional institutions. China's friendly gestures were reinforced by the 1997-1998 Asian financial crises, especially its decision not to devalue the Renminbi currency (Egberink and Putten, 2011; Liqin, 2014). Since then, China's economic cooperation with the region has presented greater opportunities and become a hallmark for regional prosperity.

The peaceful rise of China has, however, sent an ambiguous signal to the region. China's military build-up and its moves in territorial disputes and sovereignty claims have triggered regional ambivalence. Some countries in East Asia, especially Japan, South Korea, Vietnam and the Philippines, view Chinese military approaches and strong diplomatic rhetoric with uneasiness and anxiety (Linley et al., 2012). China's hostile posture has been frequently projected in dealing with territorial disputes in the South China Sea (SCS) and the East China Sea (ECS), as well as with its considered core national interest – Taiwan. It is, therefore, not surprising that regional states have displayed perceptions about China ranging from optimism to apprehension.

Indeed, there is a growing sense of uneasiness about the intention of China's rising power. According to Realist power transition argument, as a rising

power China is a revisionist actor that tends to be dissatisfied with the current US-dominated global order. China is thus regarded as wanting to fundamentally change and revise the status quo in its favour (Friedberg, 2011). Gilpin (1981) argues that revisionist states aim at changing the system; that is, they demand fundamental changes in three components: “the distribution of power, the hierarchy of prestige and rights and [the] rules that govern or at least influence the interaction among states” (p. 34). Under this logic, some other pundits assume that a rising China will be in conflict with the incumbent power, the US, and that will be the primary source of rivalries which, in turn, create regional instability (Efird et al., 2003; Rapkin and Thompson, 2003; Kugler, 2006; Goldstein, 2007; Percival, 2010).

Besides China, the US has also practised diverse policy shifts, from reduced presence after the immediate end of the Cold War (Betts, 1993-1994; McDorman, 1993; Alagappa, 2003; Hook, et al., 2005), to a reengagement policy more recently. In this regard, the US’ reduced presence was obvious, for example, from the dramatic reduction in the US military presence in the Philippines post-1992. In addition, during this period US statements have indicated a commitment to avoid involvement in South East Asian regional conflicts.

However, a US policy shift in Asia, especially during the Obama administration, was apparent in what is called the US pivot or US rebalance in Asia. The US rebalance reflects at least two interrelated perspectives. First, it reflects the US reengagement and rapprochement in the region; particularly in the form of its more active participation in regional institutions and intensified bilateral relations. Secondly, it reflects the US policy shift in balancing, relocation and readjustment of the distribution of its power around the world with East Asian regional dynamics (especially the conundrum of China’s rise) playing important role in shaping the policy shift.

Similarly, Japan, following a series of transformation in its military and defence policy, and its economic encroachment in the region, has also presented a new dynamic in the region. Japan’s military and defence transformation has been shown in its National Defence Program Outline (NDPO), which was compiled in 1976 and was revised four times to become the National Defence Program Guideline (NDPG) in 1995, 2004, 2010, and 2014. Economically, Japan’s understanding of the importance of the region has also led to the intensification of

its economic presence through trade and investment. The dynamics of Japan's transformation has come across the dynamics of China and the US in the region. In the process, their interactions undeniably carry the element of cooperation and competition, which have direct impacts on the region, including on Indonesia.

### **1.1.2 Regional dynamics: The distribution of powers and regional challenges**

In addition to the interactions of the great and superpower, the region has also observed transformation in the distribution of power. Indeed, the current transformation has entailed changes in power distribution that involve strategic and economic aspects.

#### *Strategic Aspect*

Undeniably, contemporary Asia enjoys relatively more stability and peace than during the early period of the post-independence era, which was at the peak of the Cold War (Alagappa, 2003). However, there is no doubt that current security dynamics are still generating uncertainty. From a strategic perspective, the transformation has seen several regional countries experience increases in military capabilities and defence spending. The increases have been supported by constant economic growth and triggered by regional uncertainties.<sup>5</sup>

In an investigation of five Asian actors (China, Japan, India, South Korea and Taiwan), the Centre for Strategic and International Studies (2012) suggests two findings. First, defence spending has increased in all five Asian countries between 2000 and 2011. The growth has visibly accelerated and been higher between 2005 and 2011 than between 2000 and 2005. Secondly, future defence spending trends will depend mainly on political and economic circumstances. Increasing tensions in the security and political landscape in the region would entail a reason for further increases in defence spending. A key stimulating factor for the growth in spending will be the availability of financial resources, which are highly influenced by the economic climate of each country.

While some countries are alarmed by China's direct threats against their interests, others are constantly concerned about the possible impact of rivalries

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<sup>5</sup> Here the definition of uncertainties refers to Khong's "inability to predict with strong confidence" (Khong, 2004 207).

between powers in the region. The uncertainty arises out of inter-state relations, which are replete with action-reaction dynamics. This might occur as the military and strategic moves of a state will trigger others' reaction. It is the classic action-reaction processes associated with arms races and emanates from the so-called security dilemma (Buzan and Herring, 1998). Action-reaction dynamics in this respect also reflect internal / domestic dynamics in response to the military development of others. It is not to suggest that the consequence of those is always a war or conflict scenario, but it does reflect a situation with the potential to create uncertainty and the possible formation of a conflict situation out of prevailing distrust in international relations.<sup>6</sup>

Indeed, the region has been home to diverse strategic powers where each state independently develops military capabilities able to affect the regional balance. Growing national interests prompted by economic development and affluence have enabled governments in the region to increase military spending with more weapons purchasing (Bracken, 1999). The thirst for energy and resources, which is translated into the needs of massive natural exploration and exploitation have led countries to maximise the possession and mastery of their territories. This is, however, sometimes precluded by overlapping claims on border and maritime territories with other countries (Weissman, 2012). In addition, the occupation of a particular territory also has a strategic and military significance, especially with the occupation of a particular disputed area being considered valuable to military and strategic defences. An occupation, therefore, is a zero-sum game calculation in which losing an area to another claimant enhances the security of the winner and at the same time jeopardises the security of the loser. Territorial disputes, combined with a sense of uncertainty triggered by other regional dynamics, have provided a rationale behind the policy of increased military spending in the region.

Although large scale wars between states are unlikely in the near future, territorial disputes that could be pretexts need attention. The region is indeed still replete with unsettled territorial disputes that frequently escalate into military

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<sup>6</sup> Similarly, as Kikuchi (2006) argues, East Asia is in great transition highlighted by emerging strategic rivalries. This is caused by the intensive distribution of power among countries following massive industrialisation that has changed the relative capabilities of regional countries.

deployment and, on some occasions, into deadly clashes.<sup>7</sup> In Table 1.1 (the data was collected in 2003 from several resources), Wang (2003 385) has summarised numerous interstate territorial disputes over several areas claimed by two or more disputing countries in East Asia.

<b>Disputants</b>	<b>Disputes</b>
China – Japan	Marine (Senkaku/Diaoyu)
China – North Korea	Border
Japan – South Korea	Marine (Tok-do/Takeshima)
Vietnam – China	Marine (South China Sea)
Vietnam – Cambodia	Border and Marine (Gulf of Thailand)
Vietnam – Philippines	Marine (Spratlys)
Thailand – Cambodia	Border and Marine
Thailand – Myanmar	Border
Thailand – Laos	Border
Thailand – Malaysia	Border
Indonesia – Malaysia	Marine (Ambalat)
Malaysia – China	Marine (Spratlys)
Philippines – Malaysia	Border (Sabah) and Marine
Philippines – China	Marine (Spratlys)
Singapore – Malaysia	Marine

*Table 1.1 The Summary of Border and Marine Disputes among states in East Asia.*

The disputes cited in Table 1.1 occur in various intensities, which might change over periods of time. Wang (2003) divides the disputes into four categories according to their intensities: (i) disputes that might trigger full scale war between claimants; (ii) disputes that involve military conflict and fatalities of lower impact; (iii) disputes which remain at the political-diplomatic level and have not evolved into open military clashes; and (iv), minor quarrels that do not constitute outstanding issues in bilateral relations. Territorial disputes in the region have the potential to experience a curve of low and high intensities within these four categories. In other words, a particular dispute might take shape as political and diplomatic rhetoric, but suddenly, due to domestic pressures and other influential factors, the dispute might escalate into military clashes. Therefore, while the disputes in the region are not expected to escalate into wars in the near future, they present regional challenges.

Regional challenges are also enhanced by non-traditional security threats. Added to these complexities, regional institutions (especially ASEAN and the

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<sup>7</sup> Disputes in the South China Sea have led China, the Philippines and Vietnam to engage in limited military clashes; territorial claims over *Ambalat*, a sea block near Celebes Sea, have generated nationalist sentiment among Indonesians to wage a war against Malaysia; similarly disputes over territorial claims near the area of the *Preah Vihear* Temple led Thailand and Cambodia to be involved in limited, but deadly, military clashes.



‘Family’) have yet to develop a set of strong security and strategic mechanisms. In the end, the prevailing sense of instability and uncertainty in contemporary regional security dynamics has stimulated several countries to devise national strategic plans that favour a military build-up or increased defence spending.<sup>8</sup>

#### *Economic Aspect*

With regard to the economic aspect, which underscores the changes in regional distribution of power, recent development has seen countries in the region engage in intensified economic interactions. The Asian Development Bank (2013) suggests that despite more complex challenges, regional economic integration has progressed rapidly in Asia which has realised more straightforward benefits and led to regional economic interdependence. The economic interdependence owes to the increasing trade and investment cooperation in the region. In trade, for example, Athukorala and Kohpaiboon (2009) found that between 1986/7 and 2006/7, the share of East Asian intra-regional trade had experienced growth. The share of the total trade of non-oil products accounted for 35.8 per cent in 1984 and increased in 2006/7 to 51.0 per cent. In this respect, Japan and China are the main sources of imports for other East Asian economies. The importance of China as an import source country can be seen in all East Asian countries (Aminian et al., 2008). In addition, intra-regional Foreign Direct Investment (FDI) in East Asia has also increased. Bilateral flows of FDI between Northeast Asian countries are the highest in Asia with an annual average of US\$28 billion for the period of 1997–2000 and US\$27 billion for the period of 2001–2005. Bilateral flows of FDI between Southeast Asian countries accounted for US\$ 6.3 billion for the period of 1997–2000 and US\$ 2.6 billion for the period of 2001–2005 (Rajan, 2008).

Recent regional economic development has also seen an ongoing discussion on the establishment of the Regional Comprehensive Economic Partnership (RCEP). In addition to Asia-Pacific Economic Cooperation (APEC), the RCEP will add another framework into existing regional collective arrangements that aim at promoting economic integration. The partnership, which was endorsed by leaders at the ASEAN Summit 2011 and later in the East Asia Summit 2012, will bring together ten ASEAN countries (Brunei, Cambodia,

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<sup>8</sup> For further discussion of the broad range of issues and challenges confronting East Asia, see Tan (2013).

Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and their six trade partners (Australia, China, India, Japan, New Zealand and South Korea). With the main objective being to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement, RCEP will cover trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues. RCEP will highlight the centrality of ASEAN as the coordinating hub of great power interactions.

The debates over the effect of economic interdependence on the reduction of political conflict and war, however, persist.<sup>9</sup> Some pundits argue that the flourishing economic cooperation and interdependence is neither sufficient to have countries embedded to political integration nor a full guarantee that negates enmities. Khoo (2013) argues that regarding Chinese relations with Japan and Taiwan, the positive spill over effects of economic ties on Sino-Japanese and Sino-Taiwanese relations is much weaker than that which is expected by economic interdependence theory. He suggests that despite increased economic interdependence between the three actors, “the general tenors of political relations are still conflictual, with escalation of conflict not [being] uncommon” (p.49). Similarly, Ward et al. (2007) claim that trade does not reduce conflict. In this regard, debates over the effectiveness of economic relations in cementing political relations continue to flourish.

### **1.1.3 Indonesia and regional dynamics**

Against this backdrop of regional transformation, during the era of President Soesilo Bambang Yudhoyono (SBY) from 2004 – 2014, Indonesian officials have frequently expressed an expectation of a peaceful region through the promotion of a concept called the maintenance of a dynamic equilibrium. Several speeches by high-ranking Indonesian officials including President SBY and Foreign Affairs Minister, Marty Natalegawa, have given a clear message that it is in the interest of Indonesia to build and maintain a dynamic regional equilibrium (Presiden Republik Indonesia, 2013; Ministry of Foreign Affairs Indonesian, 2011).

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<sup>9</sup> Arguments that economic interdependence reduces conflict are presented in Oneal et al. (2003) and Gartzke (2007).

It is clear that officially Indonesia aims to consistently pursue the creation of a dynamic equilibrium in the region “based on an approach that underscores the principles of attaining common stability, common security and common prosperity for all countries in the region” (Ministry of Foreign Affairs Indonesian, 2011 para 5). The statement emphasises Indonesia’s view that a regional equilibrium is an ideal condition to prevent the region from hosting a wearisome political and strategic competition, not to mention conflict and war. The regional equilibrium is expected to halt rivalries emanating from struggles for hegemony between contending players. It seeks to sustain stability and security as well as secure regional common interests including the national interests of Indonesia.<sup>10</sup>

President Jokowi (Joko Widodo) – SBY’s successor – has developed a policy doctrine stating that Indonesia sought to be a ‘world maritime axis.’ The term reflected Jokowi’s policy to maximally secure Indonesia’s interests from its rich marine resources and strategic geographical maritime location in the world. In his speech during the 2014 East Asia Summit (EAS) in Myanmar, Jokowi stated that, “Thus, as a maritime country, Indonesia should assert itself as the World Maritime Axis. This position opens opportunities for Indonesia to develop regional and international cooperation for the prosperity of the people” (Witular, 2014 para. 5). Furthermore, the President also explained that Indonesia wants the Indian and Pacific Oceans to remain peaceful and safe for the world. To this end, he said that Indonesia needs to “build its maritime defence power not only to secure its maritime wealth and sovereignty but also to take responsibility for safeguarding navigation safety and maritime security” (Witular, 2014 para. 9).<sup>11</sup>

At a glance, the quest for the maintenance of a dynamic equilibrium is less pronounced in public speeches during Jokowi Administration. Yet, the main target

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<sup>10</sup> More analysis on the working definition of a ‘dynamic equilibrium’ will be provided in the conceptual framework and literature review in Chapter 2 of this thesis.

<sup>11</sup> Jokowi’s world maritime axis doctrine is aimed at transforming Indonesia to be an influential fulcrum between the Pacific and Indian Oceans. The doctrine as an agenda is built on five pillars: (i) Rebuild Indonesia’s maritime culture. As a country that is made up of 17,000 islands, the nation must realize that its future is largely determined by how it manages the oceans; (ii) Indonesia will maintain and manage sea resources with a focus on establishing sovereignty over sea-based food products; (iii) The country will prioritize infrastructure and maritime connectivity development by building deep sea ports while also improving the shipping industry, logistics and maritime tourism; (iv) Through maritime diplomacy, Indonesia must end the sources of conflict at sea, such as fish thefts, violation of sovereignty, territorial disputes, piracy and pollution; (v) As a country that is the bridge between two oceans, Indonesia is obligated to build its maritime defence power (Witular, 2014).

of the maintenance of the dynamic equilibrium, which is to promote peace and stability in the region, has remained important in Indonesia's foreign policy. Indeed, Retno Marsudi, Marty Natalegawa's successor, has reiterated Indonesia's acknowledgement of the importance of maintaining peace and stability. She has stated that: "At the regional and international levels, Indonesia remains committed to development, peace and stability in Southeast Asia" (Indonesian Ministry of Foreign Affairs, 2015, 3). This is a normative and diplomatic remark, but it reemphasises Indonesia's commitment to remaining active in the maintenance of regional and international stability and security.<sup>12</sup>

Jokowi's doctrine focuses on extending Indonesia's interests at sea. The focus on the protection of maritime sovereignty has been driven by a combination of national security and domestic economic concerns.<sup>13</sup> However, whilst focusing Indonesia's efforts on maximising and exploiting Indonesia's maritime resources for the benefit of the country, Jokowi's administration could not neglect regional uncertainty highlighted by China's rise, US' reengagement and Japan's policy which could potentially both promote and jeopardise Indonesia's interests.

In reality, amid the rise of China, US' reengagement and Japan's policy in the region, Jokowi's doctrine cannot depart from the equilibrium maintenance strategy which has been eloquently promulgated by his predecessor. Jokowi's exposition to maintain peace and safety in the Indian and Pacific Oceans will only enhance the need to prolong the equilibrium maintenance. First, Indonesia alone does not have the resources and capability to maintain regional peace and security without the participation of others. Secondly, current developments in the region increase the significance of the geostrategic location of Indonesia's maritime axis. Indonesia's territories have been under the spotlight since they involve various interests of different powers including the US, China and Japan. This situation requires Indonesia to further regional efforts to promote peace and harmony.

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<sup>12</sup> The Minister's remarks were important especially to counter widespread coverage in the media that under the new administration, Indonesia will not be actively involved in maintaining regional peace and stability and other international peacekeeping and peace making operations. Indeed, the remarks reemphasised Indonesia's commitment to its principle of active and independent foreign policy.

<sup>13</sup> In addition to securing national territorial sovereignty, the doctrine is also aimed at addressing economic losses. Owing to its porous maritime border, which is insufficiently guarded, Indonesia claims to suffer annual losses of almost Rp. 300 trillion Rupiah (around US\$ 25 million). The losses have been attributed to illegal fishing and natural resource smuggling, etc.

## **1.2. The Significance of the Research**

This study is timely, significant and relevant as well as important in contemporary Indonesia in view of the country's search for a dynamic equilibrium in the region. The research's significance finds its expression in the following aspects.

First, although much has been written on Indonesia's foreign policy, its bilateral relations with particular countries and its participation in regional institutions, there is no major study on Indonesia's foreign relations in pursuit of its search for a dynamic regional equilibrium. In addition to their limited scope of assessment, several analysts like Polling (2013), Sebastian (2011), Weatherbee (2013), Sukma (2012), Umar (2011), Hadi (2012) and Pakpahan (2013), have not presented further discussion on the development of Indonesia's foreign policy and international relations with the superpower and great powers. In other words, their analyses are mainly limited to a general description of a dynamic equilibrium.

Yet, credit should go to Mendiolaza and Hardjakusumah (2013) for their work on analysing the development of Indonesia's relationships with the US, China, India and Australia.<sup>14</sup> Mendiolaza and Hardjakusumah (2013) have tried to establish a map of the development of Indonesian relationships with the three powers discussed in the thesis, but their work lacks further supporting arguments and information. In fact, it fails to explain the dynamics of the relationship between the major powers and Indonesia, as well as how the relationships have had an impact on Indonesian security in a comprehensive manner.

Secondly, the impact of regional dynamics on Indonesia has been perceived differently and with uncertainty, especially by Indonesian elites. This is reflected in the varied nature of the elites' public comments about and responses to regional dynamics. In addition, the latest two Indonesian Defence White Papers issued in 2008 and 2015 (published in 2016) can present a risk of displaying Indonesia's perception of regional dynamics in an over-generalised form. The 2008 Defence White Paper (Indonesian Ministry of Defence 2008) is limited in addressing regional threats emerging from regional power transformation and great powers interactions. The issues raised in this Paper include a slight illustration of great powers' struggle for influence in the Malacca Strait, potential

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<sup>14</sup> In view of the theoretical framework employed in this research, this thesis does not specifically discuss India and Australia as they are not yet categorised as either great power or superpower in the region.

territorial disputes between Indonesia and neighbouring countries and non-traditional security issues. Due to the Paper's general outlook, it fails to address the comprehensive characteristics of regional dynamics which are highlighted by the superpower and great powers interactions and their impacts on Indonesia. Likewise, while recognising the volatile dynamics of China's rise, China-US interactions and the South China Sea dispute, the general outlook of the 2015 Defence White Paper (Indonesian Ministry of Defence, 2016) fails to address and classify the precise forms of the threats and how the dynamics really pose a threat to Indonesia. Moreover, the tendency of the 2015 White Paper to focus exclusively on threats has also failed to further elaborate the comprehensive feature of regional dynamics which can present not only threats, but also opportunities.

Furthermore, the Indonesian Defence Ministry during SBY's presidency had introduced a policy called Minimum Essential Force (MEF) with regard to the development of the country's armed forces. This policy continues to take shape under the Jokowi administration in the guise of promoting Indonesia as Global Maritime Axis by envisioning the country as a maritime power and emphasising the development of the Indonesian Navy. The policy of both administrations is a response to the regional challenges that Indonesia perceives amid its budget constraints. The lack of funds has resulted in the government trying to meet the minimum requirement of developing capabilities by purchasing weapon systems from others or by producing its own. However, the policy has been criticised in its implementation for its lack of consideration to address potential threats arising from current regional dynamics highlighted by the rise of China, US' reengagement and Japan's transformation in the region.<sup>15</sup>

In addition, this research is also a complementary account of the current literature that examines the presence of regional threats and opportunities for

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<sup>15</sup> During an interview held in August 2014, this issue was brought up by a retired general in the Ministry of Defense, who expressed his disappointment that the Ministry just divides the budget on an equal basis regardless of which department or what weapons should get priority to be developed. The decision to equally share the budget among the three Indonesian armed Forces (TNI) – Army, Navy and Air Force – has not sufficiently taken into consideration the analysis of potential threats and challenges faced by each force and, worse, less attention has been paid to regional security dynamics.

Indonesia.<sup>16</sup> In this regard, a doctoral thesis by Daniel Novotny (Novotny, 2007) contributes to the initial formation of the main questions of this research.<sup>17</sup> The research on Indonesia's equilibrium maintenance seeks to support and complement the current literature by offering an analysis from a different perspective.

Novotny (2007) emphasises elite's perceptions of regional threats against Indonesia. In this respect, his work mainly addresses the process of Indonesian foreign policy making and influential elite's perceptions in shaping the process. He sees that the elite's perceptions have helped guide the country to consider the presence of regional threats amid the rise of China. In his observation, the presence of threats in the minds of Indonesian elites has been influenced by regional uncertainty. The argument has been based on his interviews with foreign policy elites in Jakarta. Novotny has made it clear that his thesis is not mainly about studying the threats themselves; rather, it is about the extent of the elite's perceptions in shaping Indonesian foreign policy. This is where this study seeks to fill the gap. By using the partial findings of Novotny's study, this research tries to shed light that further investigation about the impacts of regional dynamics on Indonesia is needed and that the context of threats should not solely be derived from the perceptions of particular groups.

Whilst it is recognised that the elite's perceptions will be helpful in the analysis of Indonesian foreign policy, if this is the sole resource of the research it risks being inconsistent and ambiguous. While it is not unusual to find the perception of Indonesian elites being diverse and inconsistent in responding to the same question, the threat perception is in fact framed more in the subjective

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<sup>16</sup> Although there has been some literature discussing great power's influence on the region, its impact and influence on Indonesia (or other regional countries), has not been properly addressed. The literature pays more attention to the opposite dynamic, namely, the influence of South East Asia over China's moves to engage in regional norms and institutions. See, among others, Goh (2007/8) and Johnston (2008).

<sup>17</sup> Daniel Novotný (Novotny, 2007 & 2010) has made a significant contribution on the assessment of the Indonesian elites' perceptions on regional threats in his thesis entitled, "Indonesian Foreign Policy: A Quest for the Balance of Threats: the Role and the Relevance of Elite Perceptions in Explaining Indonesian Foreign Policy Outcomes". In this respect, Novotny (2007 69) suggests that there are two terms in the Indonesian language that describe the country's elite. *Pejabat* is a broad term that refers to officials occupying all levels – the lower ranks up to the top ranks – of the government bureaucracy. The term elite has similar meaning as the same term in the English language – in Indonesia it is used to describe the most prominent businessmen, military leaders and policy-makers in the bureaucratic hierarchy along with the most influential journalists and intellectuals who maintain close ties with the political establishment.

concerns of particular individuals who have influence and access to foreign policy making. Novotný (2007) has indeed underscored the issue of inconsistency in the perception of elites in one of his hypotheses. He argues that Indonesia's foreign relations in the post-Cold War era have been substantially influenced by "the diversity of ideational influences that has generated a plurality of disparate views among contemporary Indonesian elite about what constitutes Indonesia's national interest and how to defend it."<sup>18</sup>

The risk of inconsistencies has also been identified by Novotný's recommendations for future research (Novotný, 2007 361). He reminds future researchers that in analysing elite's perceptions there are some factors to consider:

- (i) the influence of the generational gap factor and religious affiliation among policy-makers, as well as the role of geographic proximity in forming the elite perceptions of external security threats; (ii) the sources of the elite cohesion and the correlation between the elite cohesion, its consensus and the foreign policy outcomes and; (iii) with a special reference to Indonesia, the question 'who makes foreign policy' in that country, including the degree of influence of various elements within the foreign policy elite.

It is therefore argued that examining the impact of regional dynamics needs another basis, which cannot only be based on elite's perceptions. The reality of regional dynamics is as important as the way elites view it, and thus this study investigates further the empirical dynamics of the region. In this regard, it is still

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<sup>18</sup> While most members of the elite in Novotný's research perceive that there are identical threats particularly in military and strategic dimensions to Indonesian national interests, it is not rare to find the views of many Indonesian top diplomats that suggest the current regional dynamics should not be seen as a threatening dead-end, but more as an opportunity. In an interview to *Qu-As* magazine (Vol.4, No.1, December 2013) – an internal magazine issued by one of the units in the Ministry of Foreign Affairs – the then Head of the Ministry's Centre for Education and Training, Ambassador Hazairin Pohan, claimed that Indonesia is no more under the threat of military invasion and major territorial disputes. The threat arising from regional dynamics is mild but complicated with more focus on economic interest. In this sense, the region offers an economic opportunity that is potential to be a threat if not properly exploited and used for the interest of Indonesia (<http://www.kemlu.go.id/Documents/QuAs/Quas%204.pdf> - accessed on December 24, 2013). In the same tone, the Ambassador of Indonesia to China, one of the Indonesia's top diplomats eloquently denies the presence of threats in the region and argues that China offers great opportunities for Indonesia (<http://english.cntv.cn/program/newshour/20121110/103730.shtml>). This statement is probably a diplomatic gesture to appease the receiving country – China – or by and large refers to the flourishing economic relations between the two countries in the region. At the end, from these two statements, at least one can argue that when analysing the presence of threats mainly from the perspectives of elites, the findings have been subject to inconsistency, changes and vary from one official to another.



assumed that how elite's threat perceptions affect foreign policy (as discussed in the Novotny's thesis) will offer an idea that this study will explore.

Furthermore, major international developments, especially during the last ten years following the finalisation of Novotny's research, have suggested the need for a more up-to-date analysis. The analysis in this thesis will go beyond Novotny's in that it will assess Indonesian actions in responding to the country's understanding of regional development. In other words, while Novotny's thesis is just exploring how the threat perceptions have shaped Indonesian foreign policy, this thesis seeks to explain further regarding how the threat perceptions, along with opportunities, are translated into Indonesia's foreign policy on the ground.

Ultimately, where this study differs from earlier work can be explained in the following aspects. It focuses on the analysis of Indonesia's international relations and foreign policy in its search to maintain a dynamic regional equilibrium. This analysis draws a comprehensive and conceptual account from such critical elements as regional dynamics; the impact of regional dynamics against Indonesia; and Indonesia's foreign relations which have been shaped by the country's understanding of regional transformation. In the end, the researcher expects that this study will be valuable for Indonesian foreign and defence policy analyses in the future.

### **1.3 The Statement and Objectives of the Research**

Current dynamics creates a sense of uncertainty over the outlook of the region. The sense of uncertainty has engendered the presence of a threat perception in the eyes of Indonesian elites (Novotný, 2007). Current literature further argues that regional uncertainty partially shapes Indonesia's foreign policy making. Nevertheless, the elites are varied in perceiving the presence of a threat and are uncertain about the essence of it, especially with regard to what the threat is, where it comes from and which one(s) should get the most attention. Indeed, elite perceptions are varied and inconsistent between different agencies. In addition, the perception suffers from insufficient support of theoretical and empirical studies on the realities of international dynamics. It is thus the purpose of this thesis to investigate further realities: how the regional dynamics have impacts on Indonesia's strategic and security interests, in particular whether and to what

extent the dynamics really pose a threat and to what extent they offer an opportunity.

Indonesian foreign policy, in responding to the dynamics of the region through the concept of the maintenance of dynamic equilibrium, has been seen by some critics as inconsistent and indistinct. Some scholars argue that the policy is “lacking in finer-grained details” (Cable, 2012); is ambiguous and “cautious in being definitive over its foreign policy objectives” (Sebastian, 2013); needs to be more accommodative to domestic interests (Umar, 2011); and is “an intriguing maze of events sometimes combined with seemingly illogical actions of its political elite” (Novotný, 2007 22).<sup>19</sup> These are criticisms that reflect concerns over the implementation of the policy. In addition, in the light of Indonesia’s current intensified focus on the maritime domain, this study is also relevant in investigating whether Jokowi’s defence and foreign policy shares the spirit of maintenance of dynamic equilibrium in the region.

While the presence of regional threats is widely perceived by some Indonesian elites as the threats are differently interpreted, no adequate studies on the realities of the impacts of regional dynamics on Indonesia have been done. Moreover, for many critics, the implementation of the policy of a dynamic equilibrium is indecisive, while the creation and maintenance of the policy is central both to avert the threats or adversarial impacts of regional dynamics and to enhance any positive impacts that might serve the interests of Indonesia. In view of these discrepancies, the research – which seeks to analyse regional dynamics and its impacts, as well as to investigate Indonesia’s foreign policy in the pursuit of its search for a dynamic equilibrium – is essential.

The thesis thus has two main objectives: first, to help shape and reinforce the understanding of Indonesian decision and policy makers about the dynamics of regional transformation highlighted by China’s rise, the US’ reengagement and Japan’s policy as well as its impact on Indonesia. It examines whether the impacts are necessarily always in the form which some Indonesian elites have perceived – the presence of regional threats against Indonesia’s interests. In addition, this study attempts to elaborate a kind of ‘map’ featuring the potential impacts of

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<sup>19</sup> Novotný’s note is more about Indonesian foreign policy as a whole, rather than for the specific policy of the maintenance of dynamic regional equilibrium per se.

regional transformation, which Indonesian decision makers are able to use to match its national resources with potential challenges and threats. These objectives form the first part of the thesis.

The second objective is to help inform current literature about the practice of Indonesian international relations and foreign policy in responding to regional dynamics. This objective, which forms the second part of the study, seeks to analyse Indonesian actions in response to the country's understanding of regional dynamics through the concept of a dynamic equilibrium. To this end, the thesis considers the relations of Indonesia as a regional power with a global superpower (the US) and two great powers in the region (China and Japan) as well as Indonesia's participation in regional institutions (ASEAN and the Family).

#### **1.4 The Questions of the Research**

Overall, the thesis seeks to answer three main questions:

- (1) How do regional dynamics, especially highlighted by the rise of China, US' reengagement and Japan's policy in Asia have impacts on Indonesia?
- (2) To what extent do regional dynamics pose a threat to and offer opportunities for Indonesian strategic and security interests?
- (3) To what extent has the concept of the maintenance of a dynamic regional equilibrium, which the SBY administration has frequently expressed as an effort to respond to the regional dynamics, found its expression in the international relations and foreign policy practices of the current Jokowi administration; especially in its bilateral relations with great powers and the superpower, as well as its participation in regional institutions?

From the three main questions, this study also seeks to answer the following interrelated questions:

- How is Indonesia's foreign policy developed and practised with various regional great powers and the superpower as well as its participation in ASEAN and 'the Family'?
- To what extent has Indonesia in its bilateral relations with the great powers and superpower sought to achieve the objective of a dynamic equilibrium in the region?
- To what extent has Indonesia at the regional level attempted to achieve its objective of a dynamic equilibrium?

### **1.5 The Scope of the Research**

The researcher has limited the scope of the research in the following regards. First, it is important to note that the concept of the Indo-Pacific region as stipulated in the 2013 Australian Defence White Paper is beyond the scope of this study. Given the tremendous account and wide geographical area of the Indo-Pacific concept, the study is confined to the East Asian regional security complex only. This is not to suggest that other regions, including South Asia, do not have the same significance for Indonesia's national interest. The choice of focusing on the regional security sub-complexes of North East Asia and South East Asia is mainly due to a limited available timeframe. Equally important, the focus on this scope of the region is in accord with the regional cluster analysis of Buzan's Regional Security Complex Theory employed by the thesis.

Secondly, this study focuses on analysing Indonesia's international relations and foreign policy practices (Part 2). The policy especially seeks the creation and maintenance of a dynamic regional equilibrium. In simple terms, the study seeks to investigate what Indonesia has done and experienced in relation to its search for a dynamic equilibrium. It studies Indonesia's foreign relations with great powers and the superpower, as well as its participation in regional institutions. It focuses on the practices of Indonesian foreign policy with the US, China and Japan, its participation in ASEAN and the dynamics resulting from this relationship. The internal developments and domestic dynamics of the superpower and the great powers as well as other member countries of ASEAN are not the focus of the study and hence are superficially addressed.

Last, but not least, this study limits its time coverage starting from the end of the Cold War era to the last month of 2016. In other words, the thesis limits its empirical and analytical discourses mostly until the end of Obama's presidency. Likewise, as the jargon of equilibrium maintenance was first launched by the SBY administration, this thesis discusses Indonesia's foreign policy of equilibrium maintenance in the light of the two periods of SBY's presidency (2004-2014) and the first half of President Jokowi's administration.

### **1.6 Methodology**

The thesis is ontologically interpretive and constructive in nature. It is interpretive and constructive in a way that the analysis is based on the role of interpretation in

social actions. This thesis follows an argument postulated by Max Weber in Parsons (2010). In this respect, the thesis sets forth explanations that are concerned with “an argument’s adequacy on a causal level” (p.81). This is to say that the thesis is expected to analyse the actions of one actor(s) which follow from certain conditions. Nevertheless, the thesis also shares Peter Winch’s idea (Winch, 1958) that the role of causal relationship should not necessarily suggest actors’ actions are automatic responses to any condition like a push-pull stimulus. “Instead actors always act through meanings and have some free will to choose”. This free will in a broader context is obviously influenced by many factors including, but not totally from, the context of cause-effect relationship.

In view of its interpretive and constructive nature, as well as the needs of some quantitative features, the thesis uses an eclectic approach where both qualitative and quantitative methodologies are used wherever possible and relevant. The qualitative research methodology is used as the answers to the research questions need a variety of qualitative data, which is sought through qualitative methods. Qualitative methods deal with objectives to understand complex situations, multi-context data, and changing and shifting phenomena. Qualitative data are “records of observation or interaction that are complex and ‘contexted’, and they are not easily reduced immediately (or, sometimes ever) to numbers” (Richards, 2009). The thesis therefore needs ways of simplifying and managing data without destroying complexity and context, which qualitative methods offer (Richards and Morse, 2007). Furthermore, Hesse-Biber and Leavy (2004) argue that qualitative research is a distinct field of inquiry that encompasses both micro- and macro-analysis drawing on historical, comparative, structural, observational and interactional ways of knowing.

However, the use of qualitative method in this research does not prevent the thesis from using numbers, statistics or quantitative methods at some points. Data, in the form of numbers and statistics, are in fact important to enforce the understanding of the context. The proper use of numbers – statistics – with words makes communicating easier, faster and far more effective than the use of words alone (McNabb, 2004).

### **1.6.1 Data collection**

Denzin and Lincoln (2003) argue that qualitative research involves the collection of a variety of empirical and historical materials-case studies; personal experience; introspection; life story; interviews and others that describe routine and problematic moments and meanings in individuals' lives. In this respect, the thesis uses two main techniques of data collection which are (i) interviewing; and (ii) textual / documentary investigation. The study combines the use of empirical data collected from documentary investigation, scholarly articles and media reports and the use of in-depth semi-structured interviews. To this end, the data collection in Indonesia was conducted for nine months which was divided into the period under President SBY (from 17 March to 17 September, 2014) and under President Jokowi (25 June to 25 September 2016).

The primary data was collected through in-depth interviews with around 50 officials and eminent persons who had been involved in the process of Indonesian foreign policy making. Vromen (2010) argues that an in-depth interview enhances the data collection in ways that it is "exploratory and qualitative, concentrating on the distinctive features of situations and events, and upon the belief and personal experiences of individuals". Interviews bequeath information on understandings, opinions, what people remember doing, attitudes, feelings and the like.

In addition, this thesis also employs a data triangulation technique, which uses multiple data sources in an investigation in a bid to produce understanding and enhance the credibility of data gathered. As Patton (2015) argues, the triangulation technique is effective to ensure that an account is rich, robust, comprehensive and well-developed. In fact, the triangulation of data requires additional sources of information to give more insight into a topic. This also allows any inadequacy found in one-source data to be minimised when multiple sources confirm the same data.

To allow such data triangulation, different interviews with different participants asking similar topics have been conducted. In this regard, the interviews employed an in-depth technique through a semi-structured way, which falls between structured and unstructured interviews. It is like a normal conversation (the characteristic of an unstructured interview), but seeks answers

to specific questions that are mainly shaped by the topic of the research (the characteristic of a structured one). This research uses interview questions, which have been approved by the Research Ethics Committee of the Faculty of Arts and Social Science, the University of Waikato (The interview questions and the Committee's approval are in Appendix 1 and 2).

This study interviewed participants mostly from Indonesia's Ministry of Foreign Affairs, Ministry of Fishery and Marine Affairs, Ministry of Trade and military establishments including the Ministry of Defense and the Indonesian Armed Forces (TNI). Participants, from the rank of staff member, junior and middle rank officials, to those in higher echelons and the Minister, have been directly involved in the planning and implementation of Indonesia's current foreign and defence policy. The interviews sought to discover the attitudes of the Indonesian political elites as a whole regarding Indonesian bilateral relations with the US, China, Japan and regional cooperation in ASEAN and the families. This included questioning the elites' attitudes and opinions regarding the rise of China, US reengagement and Japan's policy in the region and the impact of China-US-Japan relations on Indonesia.

With regard to textual or documentary investigation, the research collected data from both primary and secondary resources. The primary resources included official documents published by relevant agencies in Indonesia, such as the Ministry of Foreign Affairs, the Ministry of Marine Affairs and Fisheries and the Ministry of Defence, and official news releases. This also included some internal semi-classified notes and memos, facsimiles and other similar internal correspondence circulated within the Indonesian Ministry of Foreign Affairs and Indonesian embassies, especially in China, Japan and the US.<sup>20</sup> As an official from the Indonesian Ministry of Foreign Affairs, the researcher has, to some extent, been granted access to study both published and unpublished records of the Ministry. The published and unpublished materials contributed important primary resources to this research. Regarding ethics consideration, both published and unpublished materials from the respective ministries were treated with high regard to Indonesia's rule of law concerning confidential documents and public

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<sup>20</sup> A semi-classified document is defined by the Indonesian Ministry of Foreign Affairs as non-secret, but in quoting its message, for the purpose of encryption protection, a direct quote or exact words as they are written in the document are not allowed.

records. The research also carefully searched for secondary resources from various agents including mass-media, scholarly articles and research institutes both internationally and locally. In addition, in order to be comprehensive, the views of a range of analysts and experts on Indonesian foreign policy have also been sought.

### 1.6.2 Research Design

In general, the design of this research uses three main types of information: factual information, theories and conceptual frameworks, and perceptual information. What data and research were required and how the research was conducted are summarised in the following Table 1.2:

Type of information	What the research requires	Method
Factual Information	<ul style="list-style-type: none"> <li>- Facts and dynamics on the bilateral relations of Indonesia and the US, Indonesia and China, and Indonesia and Japan, as well as Indonesia's participation in ASEAN and the Family;</li> <li>- Facts on China's rise, US reengagement policy and Japan's transformation in the region;</li> </ul>	In-depth interview, and documentary / textual investigation
Theories and Conceptual Frameworks	<ul style="list-style-type: none"> <li>- Concepts of the dynamic equilibrium; facilitation of order, the concept of threat, foreign policy and national interests;</li> <li>- Theories of regional security complex, and the balance of threats</li> </ul>	Documentary / textual investigation
Perceptual Information	<ul style="list-style-type: none"> <li>- The impacts of regional current dynamics, highlighted by China's rise, US' reengagement and Japan's transformation and engagement in the region;</li> <li>- The extent of Indonesia's effort in the pursuit of its policy for the maintenance of a dynamic equilibrium as a move to respond to the regional dynamics (China's rise, US' reengagement and Japan's transformation)</li> </ul>	In-depth interview, and documentary / textual investigation

*Table 1.2 Research Design*

### 1.6.3 Data Analysis

The research design previously described helped determine what kind of data was viewed and how the data analysis would be done (Patton, 2015). With regard to the data analysis, the gathered data had been arranged, classified and interpreted in order to become information. This study conducted data collection and analysis simultaneously. As Richards (2009) and Patton (2015) recommend, in all qualitative methods, data collection and analysis are simultaneous, not sequential, stages.

To analyse the data, the researcher followed the common steps outlined by many researchers in Political Science, one of which is by McNabb (2004). He



suggests that “once the data are in hand the researcher should establish some order in the data and determine their meaning and/or implications” (p.75). The interpretation has been carried out so that the findings can be related to the original research questions and research objectives. To this end, and in line with McNabb (2004), the research analysed the collected data from elite interviews using the following steps:

- (i) Getting to know what is typical from the answers or comments of the participants. This means getting some idea of the central values of the responses.
- (ii) Getting to know how widely individuals in the interview vary in their responses.
- (iii) Analysing the research by showing how the different variables relate to one another. In this regard, to give a better idea on any issue, there will be relevant comments and concluded results of the interviews in some footnotes throughout the thesis.
- (iv) Analysing the data further by employing a set of assessments and some guidelines, which were formed based on theoretical investigation together with a range of propositions of conceptual frameworks. All of the conceptual and theoretical frameworks, along with some working propositions employed in this research, are discussed and elaborated in Chapter 2. In this regard, using the technique of Inductive Program Theory Development, as postulated by Patton (2015, 543), the research analysis was made in the following ways:

For the first part of the thesis:

- a. Especially for Chapter 3 (the impact of China’s rise on Indonesia and getting to know the likelihood of China’s threat and opportunity); after the data was classified, and central ideas were formed, the thesis identified the level of China’s threat using the typical set of threat assessment and the extent of threat consequences as postulated in Bateman’s valuation of threats and risk in regional maritime security (Bateman, 2010).
- b. The three chapters in the first part (Chapters 3, 4 and 5) use data, propositions, theoretical and conceptual frameworks to analyse the impacts of the foreign policy and relations of the three powers - China,

Japan and the US - on Indonesia. The conceptual frameworks and theories include the dynamic equilibrium, facilitation of order, the concept of threat, foreign policy and national interests, regional security complex theory and the theory of balance of threats. The propositions and the conceptual and theoretical frameworks were derived from a preliminary review of relevant literature.

- c. Then, by relating the analysis with relevant literature, the thesis describes several positive and negative impacts of the three powers' foreign policy in the region, and their relations and interactions on Indonesia's interests.

For the second part of the thesis (Chapters 6, 7, 8 and 9):

- d. Similarly, after the data had been classified, and central ideas were formed, the research then focused on finding what Indonesia has been doing in its relations with the concerned international actors (China, the US, Japan and in ASEAN and the Family), and what domestic elements are influential in shaping the trajectories of Indonesia's foreign policy towards the great powers and superpower;
- e. Using the data, propositions, and similar theoretical and conceptual frameworks employed in the first part, as well as in particular responses towards the challenges that have inherently emerged from the regional dynamics, the thesis then formulated some operating guidelines that helped lay a frame of dynamic equilibrium policies. The theoretical and conceptual frameworks are relevant and influential in formulating some guidelines against which the analysis of Indonesia's search for a dynamic regional equilibrium was assessed;
- f. Afterwards, the thesis connected Indonesia's foreign policy, efforts and moves with the formed guidelines. Then, by also relating the analysis with relevant literature, the thesis describes to what extent Indonesia's efforts, especially in its relations with China, the US and Japan, as well as in ASEAN and the Family, conformed to the operating guidelines.
- g. Having determined the extent of conformity to the guidelines, based on the data and discussion, the research then identified some

weaknesses stemming from Indonesian efforts that are influential to the conformity with the guideline.

### **1.7 The Organisation of the Thesis**

The study consists of two main parts divided into ten chapters. Before the two main parts, Chapters 1 and 2 provide the introduction and some theoretical and analytical frameworks. The two main parts of the thesis are then discussed from Chapter 3 to Chapter 9. The thesis concludes with Chapter 10.

Part 1 consists of Chapters 3, 4 and 5. Specifically, Chapter 3 discusses China's rise and its impact on Indonesia. Chapter 4 discusses US' reengagement in the region amid the rise of China and its impact on Indonesia. Chapter 5 discusses Japan's transformation, its engagement policy, its interactions with China and the US, and then investigates how all of these dynamics have impacts on Indonesia. Part 2, which is Chapters 6, 7, 8 and 9, provides the study of Indonesia's foreign policy towards the superpower and great powers as well as Indonesia's participation in regional organisations. It analyses Indonesia's policy for the maintenance of dynamic equilibrium as moves to respond to the regional dynamics that have been highlighted in Part 1. In this regard, Chapter 6 focuses on the study of Indonesia's foreign policy in its relationship with the US, and Chapters 7 and 8 focus on the study of Indonesia's foreign policies in its relationships with China and Japan respectively. At the end of this part, Chapter 9 focuses on the study of Indonesia's policy towards the great and superpower in regional organisations (ASEAN and the Family).

The last chapter, Chapter 10, concludes the thesis in light of the theoretical and analytical frameworks that are employed. It makes a general conclusion that summarises the findings of this research and highlights some policy recommendations for Indonesia.





## **Chapter 2: Conceptual and Theoretical Framework**

This chapter elaborates several main concepts and theories employed by the thesis. It draws on the literature to include the concepts of dynamic equilibrium, regional order, foreign policy, threat, the theory of balance of threat and regional security complex theory. The inclusion of these concepts and theories in this chapter does not mean that the thesis adopts a theoretical parsimony which limits the possibility of using other concepts and theories. While other relevant theories and concepts will also be used in this research, the particular concepts and theories described in this chapter help formulate the thesis' central assumption and shape the analysis of regional impacts and Indonesia's search for a dynamic regional equilibrium.

### **2.1 Dynamic Equilibrium**

The term "equilibrium" has been commonly found in economics and political science. The definition is varyingly shared by the two disciplines and identical on several points including a state of balance; the stable condition of a particular system; an orderly pattern and a predicted outcome; a process of a balanced or unchanging system; and, an international structure hosting distinct alliances.<sup>21</sup>

In economics, "equilibrium" is mostly understood as a "state of balance". This can be traced to the concept of "market equilibrium", where supplies and demands are balanced (Ingrao and Giorgio, 1990). "Equilibrium" also refers to a place, where "we can expect the system to come to rest and to return to rest following a disturbance" (Ayson, 2012).

In politics, the term "equilibrium" was first used in the Europe. During this course, the European equilibrium was achieved when power was fairly evenly distributed after the Treaty of Utrecht of 1713. The Treaty states that the restoration and maintenance of the balance of power has been one of the objectives (Buchan, 1973). In political science, "equilibrium" is not exclusive to the use of international relations (IR) only, but it is also commonly identified in the dynamics of domestic politics in which "equilibrium" is inferred mainly around the definition of "a state of stable outcome" or "a state of balance" and "a

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<sup>21</sup> "Equilibrium" literally means "a condition in which all acting influences are cancelled by others, resulting in a stable, balanced, or unchanging system," (dictionary free online); or "a state of balance" (Cambridge online).

balancing effort”. Riker (1982) suggests that a prediction on subsequent outcomes of a political vote process can be made based on an equilibrium pattern. Here, it is inferred that “equilibrium” is a political process referring to a stable outcome in an orderly pattern in which individual taste (opinion) is influential to a decision within the dynamics of an abstract voting system. Furthermore, in the works of Sutter (2002) and Easton (1953), the word “equilibrium” has been referred to as a state of balance. Sutter (2002) argues that in a democratic polity, equilibrium includes a balance between demands by citizens (voters) on the political system and politicians competing for office. Similarly, in his general observation of the 1950s domestic politics of European countries, Easton (1953) finds that the “constitutional equilibrium” within a state imposes a notion of a balance, which is often related to power distributed in equal proportions among the major elements in the system.

In IR, most literature refers to “equilibrium” as a concept of “balance of power” characterised by a kind of balance, harmony, absence of friction and stable conditions within inter-state relations. This concept can be seen in various contexts, such as multiple balance of power in a system where power was fairly evenly distributed (Buchan, 1973); stable, unstable and indifferent equilibrium (Nilson, 1959);<sup>22</sup> harmony or absence of friction among major and minor powers (Kapur, 2003);<sup>23</sup> and a kind of balance between two fairly opposing forces (Morgenthau, 2006). A different notion of “equilibrium” is discernible in the concept of “hierarchical equilibrium” by Mildlarsky (1986). Here, it is regarded as an international structure, which hosts a distinct form of alliances. On the one hand, it is an alliance of two or more of varying sizes and composition including an alliance of great power and a number of small powers and, on the other, it is an alliance of a relatively large number of small powers not formally associated with any of the great powers. The hierarchical equilibrium is derived from a situation where two alliances constitute members of varied capabilities.

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<sup>22</sup> Nilson (1959) argues that a system will be in a state of “stable equilibrium” if it tends to return to its original state after an enforced change. If the system does not return to its original state but moves farther away, it will be in a state of “unstable equilibrium”. If it is still at equilibrium after the change (not responding at all), the system is referred to as a state of “indifferent equilibrium”.

<sup>23</sup> Kapur (2003) argues that equilibrium requires a strong political settlement that enables the settlement of contentious issues involving vital interests and national prestige.

Interestingly, an amalgamation of the use of the equilibrium concept in both domestic politics and IR can be viewed in the work of Ayson (2012). He develops an equilibrium theory that assesses four political arenas: “governance equilibrium” (the conduct of states in performing their own governance); “policy equilibrium” (the ways in which states establish policy stances); “power equilibrium” (the ways in which states develop international forms of order based on the power distribution between them), and; “institutional equilibrium” (the way states cooperate to form the regimes that manage the relations between them in an international system).

Taking into account all these definitions, it is clear that the concept of “equilibrium” in IR mainly implies a stable state of affairs of a particular system or a state of balance between two or more different poles within a system. This definition finds its expression in the policy of the equilibrium maintenance promulgated by the Indonesian government.

In a 2013 CSIS conference, the then Indonesian Minister of Foreign Affairs, Marty Natalegawa, shared his views on the maintenance of “dynamic equilibrium” (Centre for Strategic and International Studies, 2013).<sup>24</sup> By “dynamic,” Indonesia recognises that changes are “certain, inherent and natural in the region”. By the term “equilibrium,” the country acknowledges that “this state of change does not imply an anarchical state of affairs, either due to an unchecked preponderance of a single state or due to disorder or uncertainty associated with a multipolar region”. Instead, the maintenance of a dynamic equilibrium suggests that “peace, security and stability in the region are brought about by the promotion of an outlook that speaks of common security, common prosperity and common stability”. Indeed, it is about the recognition that security is a common good to be obtained not at the expense of others.

Several analysts have made observations on the Indonesian concept of dynamic equilibrium. The interpretations are varyingly interrelated and are of similar essence to those articulated in the previous part. Some, like Polling (2013), Weatherbee (2013), Sukma (2012) and Sebastian (2011) agree that the concept “dynamic equilibrium” suggests a kind of 21<sup>st</sup> century balance of power strategy.

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<sup>24</sup> The minister’s speech transcript can be viewed at [http://csis.org/files/attachments/130516\\_MartyNatalegawa\\_Speech.pdf](http://csis.org/files/attachments/130516_MartyNatalegawa_Speech.pdf)



While agreeing with the interpretation of the power balance, others like Umar (2011) and Hadi (2012) further argue that the concept, which is also referred to as the “Natalegawa Doctrine,” offers an optimistic outlook for a better and harmonious region.

Some analysts such as Polling (2013) and Sebastian (2011) see that the concept of “equilibrium” has been Indonesia’s balancing strategy for responding to the regional transformation. It seeks to exploit maximal gains and to minimise any risk of antagonising the two powers, the US and China. The concept underlines Indonesia’s proposal to involve other like-minded regional countries to develop a set of regional mechanisms, driven by middle powers, in which none are dominant and excluded (Polling 2013). The concept generates an idea to include all big powers, which have the potential to play a greater role, in a regional institution.

The most recent definition of dynamic equilibrium in Indonesia’s context, expressed by Acharya (2015), is that “the idea of equilibrium is a modification of Indonesia’s Cold War security framework known as the Zone of Peace, Freedom and Neutrality (ZOPFAN), with some continuities” (p. 11). Different from the ZOPFAN, which sought to see external great powers kept out of the region, the dynamic equilibrium concept seeks to ensure that the security of South East Asia is not dominated by outside powers by having them entangled in a regional equilibrium. From an interview with Marty Natalegawa, Acharya (2015) concludes that the equilibrium here does not envisage a balance of power dynamic through military build-up, alliances and arms races, but to keep ASEAN in the middle, like “the conductor in an orchestra” (p. 12).

Sebastian (2011) and Sukma (2012) further assume that the concept of dynamic equilibrium is a kind of extended form of the Indonesian foreign policy principle of “*bebas – aktif*” (independent and active). This constitutes a basic principle of Indonesian foreign policy initiated by the first Indonesian Vice-President, Mohammad Hatta, on 2 September 1948, in his well-known speech entitled “*mendayung antara dua karang*” (rowing between two reefs). In the pursuit of the country’s efforts to respond to regional challenges, Sukma (2012) sees that the principle of “*bebas-aktif*” (independent and active) has been elevated to the regional level. Sukma (2012) and Pakpahan (2013) also contend that the concept is commensurate with Indonesian recognition of the importance of

regional unity to address emerging security challenges. Pakpahan (2013) emphasises that the unity is essential for a strong ASEAN to be relevant in the maintenance of regional equilibrium. Indonesia seeks, together with other ASEAN states, to create a “dynamic equilibrium” among major powers in South East Asia by ensuring ASEAN’s centrality while encouraging greater participation by other powers.

In the work of Umar (2011) and Hadi (2012), the concept “dynamic equilibrium” has been viewed as being more opportunity-minded. Both analysts contend that the concept indicates a world with multiple powers, most of which are emerging ones, able to cooperate harmoniously and peacefully without having to depend on any forms of hegemony in international politics (Umar, 2011). In a similar tone, Hadi (2012) argues that the dynamic equilibrium concept is characterised by “the absence of any great power’s domination” (p. 152). Through the creation and maintenance of the concept, Indonesia seeks to create a situation where relationships and cooperation amongst states are conducted in an advantageous and peaceful environment.

Finally, it is also clear that the concept aims at facilitating the transition of regional dynamics into a certain kind of order. The “order” here is seen as the expectation, which has been eloquently described by the then Indonesian Foreign Minister, Marty Natalegawa (Centre for Strategic and International Studies, 2013), of establishing “peace, security and stability in the region.” The concept of the maintenance of dynamic equilibrium will be enacted both bilaterally and multilaterally. The policy reflects a response to the current regional transformation, from which Indonesia expects to minimise any adverse consequences.

## **2.2 Dynamic Equilibrium and Regional Order**

As the previous discussion argues, the main objective of the concept of “dynamic equilibrium” is to safeguard regional dynamics. The objective has, in part, shared common ground with the conceptions of the creation and maintenance of order put forward by Alagappa (2003) and Goh (2007, 2008).

The closest to the objective of the concept of dynamic equilibrium is offered in Alagappa (2003). Alagappa defines an international order as “a formal or informal arrangement that sustains rule-governed interaction among sovereign

states in their pursuit of individual and collective goals.” (p.73). Alagappa (2003) stresses that order is not an either/or condition. Order is not an ultimate condition or a final end but a matter of degree. Also, order emerges neither by itself nor from nowhere. It is constructed and developed by agents over a period of time and that order is dynamic. These emphases are to some extent amplified in the Indonesian idea of the maintenance of dynamic equilibrium in which “dynamic” posits a recognition that changes are continuous cycles which are inherent and natural.

Alagappa’s (2003) emphasis on the rule-governed interaction implies that the key criterion of order is whether interstate interaction complies with accepted rules, not whether they sustain particular goals.<sup>25</sup> According to this concept, it can be assumed that the objective of the dynamic equilibrium, which is to establish peace, security and stability, is not an ultimate end, rather it is a process that requires the adoption of accepted rules governing the regional interaction.

The concept “dynamic equilibrium” also shares objectives with the facilitation of order as suggested by Goh (2007, 2008). Goh suggests that the creation and maintenance of regional order requires the “*omni-enmeshment*” of major powers. By “*omni-enmeshment*”, Goh refers to the “process of engaging with state(s) (*omni*’ means multi directional) so as to draw it/them into deep involvement in international or regional society, enveloping it/them in a web of sustained exchanges and relationships, with the long-term aim of integration” (p.38). “*Omni-enmeshment*” is more than an engagement in activities, it seeks to shape and redefine the “target state’s interests” and alter “its identity” (p.39). By doing so, it hopes for a greater account of “integrity and order of the system”. However, this concept does not “go as far as security community building, as the emphasis here lies more in securing a workable *modus vivendi* among key actors, which could be achieved through a range or mixtures of means”.<sup>26</sup>

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<sup>25</sup> According to Alagappa (2003), the term “rule” is referred as principles, norms, rules, procedures and laws. Alagappa observes the role of an international regime to govern and sustain the international order. Principles are defined as beliefs of facts, causation, and rectitude. Norms are standards of behaviour defined in terms of rights and obligations.

<sup>26</sup> A security community is described as a group of states (bilateral or multilateral) that have developed a long-term habit of peaceful interaction, integration and ruled out the use of force in settling their disputes. Their peaceful interaction mainly results from the presence of norms that the state members devise, observe and abide by. The norms are able to prescribe and proscribe conduct, as well as determine the identity and interests of state members. In the formation of a mature security community, a binding organisation is considered necessary to supervise and

The “*omni-enmeshment*” concept also sees the significant role of regional multilateral institutions, multilateral and bilateral free trade agreements, bilateral security exchanges, and multilateral security cooperation. The regional multilateral institutions offer channels in which great powers and major players interact and engage in a range of interconnected webs of cooperation.

Indonesia’s search for a dynamic equilibrium reflects the country’s acknowledgment that the world system implies any possibilities of various outcomes. It shows expectation towards outcomes not only of a conflictual tenor, but also of a world system with common concerns, rules and institutions.

Overall, the objective of the maintenance of equilibrium is a process and not an end. It is a means to achieve another objective which is more general. “For every goal can also be viewed as a means to some other goals,” suggests Rosenau (1969: 168), who further argues that while “short-range objectives are instruments to the realisation of long-range objectives, specific ends are designed to serve more general ends”. To reach this end, the concept should differ from what Khong envisions as balancing strategy (Khong, 2004). Khong argues that regional uncertainty generates regional responses through balancing and institutionalising measures. He claims that while being concerned about regional threats (especially from China), several East Asian countries have adopted a soft balancing move by opening their military facilities to the US as part of a military agreement in times of emergency. In contrast, instead of balancing and bandwagoning with either power against another (further discussion is provided later), the equilibrium maintenance requires the practices of an even-handed strategy which is to bring all relevant and integrated powers into the same web of cooperation in the region. This inclusion is in line with what He (2008) envisages as “inclusive strategies”. He (2008) defines the inclusive strategy as an effort to avoid great power rivalries going astray at the expense of small powers.<sup>27</sup> This is achieved by entangling all of the major powers together within one and the same institutional framework.

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observe the application of the norms. “Mature” here is the latest phase of the development of a security community following the other two phases: “nascent” and “ascendant” respectively. For more discussion on the concept of Security Community, see Acharya (2009) and Deutsch et al. (1957).

<sup>27</sup> In addition to the inclusive strategy, He (2008) also suggests an “exclusive strategy” of institutional balancing. Rather than involving all powers to engage in rivalries within the same institution, the exclusive strategy seeks to exert control by setting up an institutional framework to include one great power while intentionally excluding another.

### **2.3 Foreign Policy**

The concept of Foreign Policy used in this study explains the process of Indonesia's foreign policy practices and various factors determining the process including foreign policy agents, and domestic and external factors.

A number of definitions have contributed to an understanding of the concept of foreign policy. The majority of analysts like Modelski (1962), Ehteshami and Hinnebush (2002), Hill (2003) and Smith (2003) define foreign policy as any policy that an actor (state or non-state actors) devises and practices regarding relations with other countries or with the world outside a country's territorial borders, which also include relations with international organisations and any other subjects of international law. In the process of foreign policy making, all of them seemingly agree that foreign policy cannot ignore the interplays of the dynamics of internal or domestic and external factors.

Modelski (1962) argues that foreign policy is "the system of activities evolved by communities for changing the behaviour of other states and for adjusting their own activities to the international environment" (p. 6). According to him, foreign policy is a social action taken by assigned officials, who are working as foreign policy agents on behalf of the society, to devise and conduct policies. The policies are aimed at minimising adverse actions and maximising favourable actions of foreign states. This definition implies that as a system of activities, foreign policy should be consistent and rational. As a system, foreign policy is not only about the conduct or practice, but also programs and plans that precede the conduct of foreign policy. Modelski (1962) assumes that the agents -- foreign policy officers -- devise foreign policy following an input-output process. Streams of actions coming from the community and directed toward the policy makers is called "input", and the actions towards the outside world in which the policy makers engage on behalf of the community are called "output". He suggests that policy makers can therefore be portrayed as occupying the crucial point at which inputs are transformed into output. In this respect, foreign policy is, crucially, at the discretion of foreign policy agents whose role is to define the interests of the community and to formulate the objectives of foreign policy.

In a similar tone, Ehteshami and Hinnebush (2002) define foreign policy as the outcomes of interactions between state, sub/trans-state, and state system

levels. By drawing on the case of the Middle East, which might be different from other sub-regions, Ehteshami and Hinnebusch find that a state system level is shaped by two forces: (i) a series of periodically erupting system-wide trans-state forces which in the case of the Middle East are imperialism, nationalism, war, oil, Islam and globalisation; and (ii) the behaviour of individual states that collectively construct the system. The state system and trans-state forces constrain and shape the individual states, but not in a deterministic way. On the contrary, their distinctive geopolitical/economic positions and state formation histories determine the specifics of individual foreign policies by which states respond to these forces.

Likewise, Hill (2003) defines foreign policy as “the sum of official external relations conducted by an independent actor (usually a state) in international relations” (p. 3). By the term “official”, he argues that foreign policy includes outputs from all parts of the governing mechanisms of a state or an enterprise. Hill (2003) further contends that foreign policy is the interplay of domestic politics and international relations. In this sense, foreign policy becomes salient both as an expression of statehood and a means of brokering what is now a simultaneous stream of internal and external demands upon government.

Being more general about who the agent of foreign policy is, Smith (2003) contends that although states still play important and dominant roles, foreign policy is, however, not only the monopoly of states. He assumes that current international and national dynamics have seen the growing role of non-state actors in the conduct of foreign policy. In addition, putting more emphasis on the foreign policy objectives of the promotion of the domestic values and interests of a state, Smith (2003) defines foreign policy as activities of developing and managing relationships between the state and other international actors.

It is challenging to comprehend the process of foreign policy decision-making, as the process involves a set of dynamic social constructs. The puzzling issue in the analysis of foreign policy is obviously due to its relation to the interpretation of the formulation of goals and motivation of international actors. The motivation of an actor derives from various factors, but the most obvious claim to gain legitimate support for a particular policy can only come from one that aims at advancing national objectives. As Coulombis and Wolfe (1981) argue, foreign policy making is closely dependent on the national objectives as its

basic elements (another element is a means for achieving them). The formulation of the national objectives is also influenced by various other factors.

In this respect, some of the literature has offered interrelated ideas on the influential factors for the formation of goals and objectives of foreign policy. These range from past experiences and future aspirations (Rosenau, 1969) to internal-external settings and social structures (Snyder et al., 2002).

While being more prone to power supremacy, both as a means and as an ultimate end of foreign policy, Rosenau (1969) points out the significant role of goals in the making of foreign policy. He argues that the “goals of foreign policy are a function of the processes by which they are formulated, just as these, in turn are influenced by the objectives, which were sought in the past and society’s aspirations for the future” (p. 167).

Obviously, being more focused on self-interest, Rosenau (1969, pp. 177-178) confines the goals of foreign policy under the three headings of “the goals of national self-extension,” “of national self-preservation,” and “of national self-abnegation”. The goals of “self-extension” cover all policy objectives expressing a demand for values not already enjoyed, and thus a demand for a change of the status quo. “Self-preservation” is to stand for all demands pointing towards the maintenance, protection, or defence of the existing distribution of values, usually called the status quo. “Self-abnegation” is meant to include all goals transcending – if not sacrificing – the “national interests” in any meaningful sense of the term. It is the goal of those who place higher value on such ends as international solidarity, lawfulness, rectitude or peace than even on national security and self-preservation.

Snyder et al. (2002) argue that the foreign policy decision-making process entails a wide range of relationships and types of actions. There are at least three factors influential to the decision-making process: the internal factors, the external setting of decision-making and the social structure and behaviour. In this respect, Snyder et al. (2002) assume that state “x” is an actor in a situation of social structure and behaviour, which is comprised of a combination of selectively relevant factors in the external and internal settings, as interpreted by the decision-makers.

In both internal and external settings, Snyder et al. (2002) suggest that the decision-making is influenced by such factors as the non-human environment, the

human environment and society. These factors are also heavily related to, and influenced by, social structure and behaviour. They classify a wide range of central issues within the social structure and behaviour, including common values, institutional patterns of the foreign policy making, characteristics of social organisations in the country, role differentiation and socialisation, and the kinds and functions of group and opinion formation. Thus, the decision-making process in a democratic country will be very different from a totalitarian one. A country with media and press freedom will not have a similar process of decision-making to a country imposing high censorship and embargo.

In a similar sense, Northedge (1974) has offered a general analysis on the nature of the circumstances in which foreign policy is employed. He argues that foreign policy is an output that arises out of two main circumstances: external and internal. By arising out of external circumstances, he means, firstly, that the state is not a remote entity but a member of a society of states in the international system, participation in which is unavoidable, and, secondly, that in this society of states, political power is not centralised but distributed among the states in unequal measure. The external circumstances here entail a notion that the external circumstance is beyond the control of most actors. The circumstance thus promotes a sense of uncertainty and a changing nature of the world that requires adaptability and flexibility. While a long-term objective of foreign policy is needed, more flexibility and adaptability are also required to respond and adapt to the changing external environment.

Northedge (1974) also claims that while external circumstances are influential, internal and domestic factors are also central to the making of foreign policy. According to him, the interests of the nation have assumed considerable significance in the framing of foreign policy in the way that the advancement of the national interests is able to garner domestic supports, which are important for both of the legitimacy of foreign policy and the survival of a political party or individual in a democratic society. In this respect, Northedge (1974) argues for the pattern of the interests that most states seek in the conduct of foreign policy: self-preservation (the maintenance of physical territorial integrity and the unity of the people), independence (relative freedom from interference in internal affairs and some degree of power to express and implement an independent viewpoint on



external affairs) and the promotion of the list of such attributes as influence, authority and status in the international community.

For the purpose of this study, and based on the above literature, foreign policy can be defined as the policy of an actor (predominantly a state) regarding relations with other countries (state or non-state actors), that establishes a road map and guidance for these relations. The formulation of foreign policy sees the interplay of foreign policy agents with domestic inputs (including ones from political entities, social communities with diversified needs and wants, and organisational structures) and external dynamics (formed by international, regional and bilateral interactions). In the context of this study, the centrality of a state actor still prevails in the process of Indonesian foreign policy making. Hence, the agents of foreign policy referred to here are government officials, who are involved in the process of foreign policy.

The conduct of foreign policy in the case of Indonesia is not far from the theoretical process described previously. It is hence assumed that at this stage there are some variables that the thesis needs to address with regard to Indonesian foreign policy decision-making. These are external dynamics and internal factors, which include foreign policy agents and domestic inputs. While external dynamics, highlighted by China's rise, and the US and Japan's reengagement, as well as power distributions in the region, have been addressed previously in Chapter 1, foreign policy agents and domestic inputs will now be discussed.

First, as for the agent of Indonesia's foreign policy, it is necessary to observe a legal standing that provides the basis of the discussion. Indonesian law number 37/1999 of Foreign Affairs has coined two separate and interrelated terms "international or foreign relations" (*Hubungan Luar Negeri*) and "foreign policy" (*Politik Luar Negeri*). Being more general in terms of the actors, international or foreign relations are defined as any activity on the level of regional and international relations carried out by central and regional (provincial) governments, national organisations, private companies, non-governmental organisations or Indonesian citizens. Foreign policy (*Politik Luar Negeri*) is defined in a more specific way in which government officials take a dominant role. Foreign policy is described as government measures, positions and viewpoints carried out in relation to the making and maintaining of relationships with other countries, international organisations and any subject of international law in order

to solve international problems in ways that secure the advancement of Indonesian national interests. The latter term is conducted under the responsibility of the President of Indonesia, who is assisted by the Minister of Foreign Affairs.

In the case of Indonesia, the law concerning foreign policy has assigned and given the President an authority, with the assistance of the Minister for Foreign Affairs, to act as the agents of foreign policy. The Ministry of Foreign Affairs is hence an official authority that devises, conducts and supervises foreign policy on a daily basis. Coordinated by the Ministry of Foreign Affairs, Indonesia has initiated its foreign relations in various bilateral, regional and multilateral forums. Currently, it has established cooperation with approximately 162 countries and one non-self-governing territory, which are grouped into eight different regions (one of which is the Asia-Pacific region). Indonesia has also engaged in regional cooperation. Indonesian foreign relations are arranged in a series of concentric circles. The first, as well as being the prime pillar of Indonesian foreign policy, is the Association of Southeast Asian Nations (ASEAN). The second concentric circle is ASEAN + 3 (Japan, China, and South Korea). Outside of those circles, Indonesia has also built intensive cooperation with the US and the European Union. In the third concentric circle lie like-minded developing countries.<sup>28</sup>

Second is the internal setting that determines the kind of input to be considered by Indonesia's foreign policy agents. The internal setting in a country is highly influenced by politics, and social and economic dynamics. In other words, the internal setting of foreign policy cannot be separated from a wide variety of internal dynamics which varyingly develop from one country to another depending on several factors. These include common values, the institutional patterns of foreign policy making, characteristics of social organisations in the country, role differentiation and socialisation, and the kinds and functions of groups and opinion or think-tanks. The internal dynamics hence shape the process of foreign policy decision-making, which is under the domain of the foreign policy agents. While the government is the agent of foreign policy, internal or

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<sup>28</sup> More information can be accessed at the official website of the Indonesian Ministry of Foreign Affairs (2013a) and the Indonesian Ministry of Foreign Affairs (2013b).

domestic dynamics have contributed to foreign policy input for the government of Indonesia.

Internally, Indonesian politics since 1998 has experienced a tremendous shift, from a totalitarian regime under the Soeharto era to a democratic country. The effects of this change on the policy-making process and behaviour have already been significant and seemingly will become more so. As to the process, successive Indonesian presidents in the post-Soeharto era have been relatively less paramount than the totalitarian type of Soeharto, who had also received strong influence from military officials in shaping the country's foreign policy.<sup>29</sup> Current leaderships have been forced to consult more broadly with more relevant authorities and ministries. Moreover, Indonesia is seeing an increasingly active role of the parliament, the flourishing of social groups that fully monitor the government's conduct and the enhanced role of social and mass media under the enactment of the media freedom legislation. In addition, economic development has enhanced Indonesia's need to explore the importance of international markets to the country's economy as well as to exploit all of its resources to support the well-being and prosperity of the country. These combined factors reflect the internal setting and the creation of input, which are, in turn, transcribed into the so-called national interest, which is central to helping shape the country's foreign policy decision-making. The following section will thus elaborate the concept of national interest and how it fits and contributes as an input in the process of Indonesia's foreign policy.

## **2.4 National Interest**

The concept of "national interest" has been varyingly interpreted, but the main idea is that it is a driving factor for the foreign policy decision-making. Snyder et al. (2002) argue that national interest is an explanation of state behaviour involving the notion that policy-makers and diplomats discover, define and preserve the national interest. He also contends that the concept of national interest serves as the formula or formulas employed by statesmen to guide their

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<sup>29</sup> For more insightful argument and examples that describe the strong influence of Indonesia's Ministry of Defence and military institutions in the process of foreign policy making under Soeharto, see Faizasyah (2003).

choice and to legitimate choices already made. In this regard, the concept of national interest constitutes a reference which serves to guide policy choices.

Further argument is offered in Frankel (1970), who argues for two kinds of national interest: objective and subjective. Objective national interests are those which relate to a nation-state's ultimate foreign policy goals, independent of but discoverable by policy makers through systematic enquiry. These are permanent interests, comprising of factors such as geography, history, neighbours, resources, population size and ethnicity. Subjective national interests are those which depend on the preferences of a specific government or policy elite, and include ideology, religion and class identity. These interests are based on interpretation and are subject to change as governments themselves alter.

Furthermore, Weldes (1999), from a constructivist perspective, contends that the concept of national interests is important to international politics in two ways. First, it is through the concept of the national interest that policy makers understand the goals to be pursued by a state's foreign policy. It thus in practice forms the basis for state actions. Second, it functions as a rhetorical device through which the legitimacy of and political support for state action is generated. By claiming to advance a country's national interest, foreign policy agents, especially in a democratic political system, have a considerable power and trust vested by the society in that the national interest helps to legitimise the actions taken. Weldes (1999) also contends that national interests are social constructions that emerge out of the representations enabled by and produced out of the security perception of a state. In this respect, the state plays a special role in constructing the meaning of national interests quite simply because identifying and securing the national interest is the task of the government, as mandated by national law.

In the discussion of the concept of national interest, it is also necessary to see two main schools of thought. Different schools of thought entail the dissimilar ways of states pursuing their national interests.<sup>30</sup> First, a Realist view on the pursuit of national interest has put much emphasis on the argument that a state is a self-centric actor in the efforts to serve its own interests. The concept of national interest in the Realist's view is seemingly contradictory in the sense that the

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<sup>30</sup> For further discussion on how the concept of national interest is interpreted and defined in different schools of thought, see Burchill (2005).

projection of national interests can harm a state's own interest. Realists such as Rosenau (1968 34-40) and Morgenthau (2006) regard national interests as the final measure of foreign policy legitimacy for the survival of states in an anarchical world. For them, while interest is referred to as power, foreign policy has been devised only to advance the interests of a particular state, which are driven by a desire for power. This claim does not require the promotion of the interests of people in other states. Similarly, despite agreeing that nations do have interests and one country's national interest might be similar and coinciding with others, Marshall (1952 84-90) opines "it is useless to ignore this by talk about global harmony and the universal state" (p. 85). He contends that in some instances, interests of different nations harmonise without coinciding, they sometimes differ, but not incompatibly, and sometimes they are mutually exclusive. In his conclusion, out of these variations comes the real nature of international life, "all are competing for their national interests to get served" (p.88).

The second is the English School. By contrasting the Realist's view with the so-called English school of thought, it can be seen that the positions of the two schools stand at opposite ends. The English School, promulgated by Wight (1991), has argued that it is wrong for the national interest to be promoted without regard for the impact of policy on others and international morality. Wight contends that the national interest of a state must not be enlightened self-interest, but this is not the same as self-sacrifice. It does mean that the national interest must be redefined away from its realist egoistic conception. Wight notes that contemporary challenges require international cooperation and defy the ego-centric national interests. The contemporary international challenges, ranging from transnational organised crimes, environmental degradation to global economic issues, have reinforced the significance of cross-border and inter-state cooperation. For the English school, the Realist view on the selfish and egocentric national interest loses its relevance. The English School undoubtedly prompts that states now need a sense of world common good. Arguably, it is in the light of this spirit that Indonesia has launched a doctrine of dynamic regional equilibrium with

recognition of the need for “the promotion of an outlook that speaks of common security, common prosperity and common stability.”<sup>31</sup>

In the context of current Indonesian foreign policy, at this stage, it can be argued that national interests play a role as the driving factors in Indonesia’s international relations decision-making process. What constitutes Indonesia’s national interest is at least discernible in the government’s vision of the national development plan. The plan provides a map of what Indonesia wants to achieve in the future, which is to promote prosperity, democracy and justice (in terms of equal sharing of economic development) (Indonesian Ministry of Foreign Affairs, 2013b). The vision serves a big picture for the orientation of Indonesia’s foreign policy. Seemingly at the heart of this vision lie three main elements that mark the national interests: (i) improved prosperity through economic development; (ii) national integrity and security; and (iii) a democratic nation. The promotion of these three national interests has obviously been the driving force behind the country’s diplomatic efforts. These are palpable in the country’s promotion of economic, political and socio-cultural cooperation at various bilateral, regional and multilateral levels.

What constitutes the national interest of Indonesia is important to explore for two reasons - internal and external ones. Internally, this is a valuable means to examine two variables. The first is whether regional dynamics pose a threat to the three elements of Indonesia’s national interests, which have been defined under this concept (i.e.: improved prosperity through economic development; national integrity and security; and a democratic nation). The second is whether the country’s search for the dynamic equilibrium in the region is directly or indirectly to serve the national interest of Indonesia. This, in turn, helps answer a range of questions as to whether the doctrine of the maintenance of dynamic equilibrium is commensurate with the advancement of the country’s national interest, or is an enlightened self-interest of the realists, or else, whether it is just a normative diplomatic statement based on a moral call aimed at enhancing the country’s international image. Understanding the concept of national interest is also central to the questions of what Indonesia’s national interests are at stake or how and to

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<sup>31</sup> This is based on the remarks of Marti Natalegawa in CSIS Conference on Indonesia (Centre for Strategic and International Studies, 2013)

what extent the national interests shape Indonesian foreign policy. It would be easy to get direct answers through interviewing any Indonesian policy maker. However, this alone is not sufficient, while the discussion will also be very different if the investigation also involves analytical and conceptual means. Understanding the concept of national interest indeed helps to highlight the significance of the doctrine of a dynamic equilibrium within the Indonesian context.

Externally, the Indonesian concept of national interest in the promotion of dynamic equilibrium reflects the country's expectation of having a regional environment that promotes the common good. At first, it is hard to see the concept as the promotion of national interest under the perspective of a self-centric realist. Rather, Indonesia considers the promotion of regional dynamic equilibrium to be one of the means expected to facilitate the wider interests of the region and, at the same time, the promotion of which will help achieve Indonesia's wider national interests as articulated in the national development plan. This reflects a sense of causal relationship in which a harmonious and stable region serves the causes for the attainment of Indonesia's national interests. It is indeed in the Indonesian interest to see a regional harmony, an enhanced security and stability or even a protracted order, the realisation of which, according to Indonesia, is undoubtedly through the maintenance of the dynamic equilibrium.

## **2.5 Threat: A Concept and the Balance of Threat Theory**

This part describes the concept of threat and the theory of balance of threat. Both elements are important for shaping the analysis of this study, especially in relation to the impact of the dynamics of the region, highlighted by China's rise, and the US and Japan's reengagement policy, on Indonesia's interest.

### **2.5.1 The concept of threat**

Much of the literature has defined the concept of threats, and basically shares similar contexts, ranging from risks to challenges against the existence or the interests of a particular entity. Siedschlag (2007) concludes that threats are "diffused risks confronting states and hence recommend an urgent need for adaptation of policies to meet them" (p.55). Siedschlag refers to a threat more as a security dimension and thus the policy in this respect is related to military and

defence policies. In a similar vein, Riek et al. (2006) define a threat as the presence of actions, beliefs or characteristics attributed to the conduct of one group that challenges the goal attainment or well-being of another group. They further argue that an individual group may feel threatened by another which is utilising, captivating or promising to confiscate or take resources that the former needs to achieve its goals or to sustain its status as a group. These resources may be tangible, such as money or materials including territories, or intangible such as status, power or knowledge.

Novotny (2007) defines “threat” as “the degree to which the power of a state or non-state actor is perceived by the elite as a malign factor affecting one’s country’s national interests and security” (p. 42). Novotny emphasises the importance of “perception” in his analysis. A power perceived as threatening may prompt the foreign policy elite to change, in some way, the course of the state’s foreign relations in an attempt to neutralise and eliminate what is deemed as an external harmful factor. Novotny further argues that it is not the power per se but the perceptions of a particular power which generate a response in the form of changed dynamics of a state’s foreign policy.

Similar elaboration of the concept of threat is also provided in Creppell (2011). He defines threats as “promises of destruction to something essential about one’s group or nation, but the concreteness of the harm is not always apparent and the content of that ‘something essential’ may be indeterminate”. In this context, a threat is defined as an expectation of significant harm to a state. The notion of harm involves abstract and concrete dimensions. Indeed, a threat here is not solely physical or material but inevitably involves an abstract element.

Creppel (2011) further contends that there are five core elements forming the nucleus of the threat concept: (a) a signal of danger enacted, made and received or perceived - that is, a conveyance of information about something to happen; (b) the “threatener” or the threatening agent, which is the entity or act/event perpetrating the danger signal; (c) the dangerousness of the threat, which relates to the content of harm danger; (d) the threatened or the entity expected to suffer or be damaged and; (e) perceiver or interpreter of the harm.

Furthermore, the intensity of a threat is determined by five variables: the specificity of the threat; the closeness of the threat in time and space; the



probability of the threat being realised, and the seriousness of the consequences that the threat will have for the state, society or the system (Buzan, 1991).

For the purpose of this study, from the various sets of literature above it can be concluded that a threat in the context of the impacts of regional transformation on Indonesia's interest is the promise of harm, potential danger or presence of risk arising from any adversarial conduct of actors in the region potential to the degradation, interruption and deprivation of Indonesia's resources. While the notion of harm, risk and challenges include abstract and material variables, the nature of degraded, interrupted and confiscated resources might also include material and non-material power. More importantly, the consequence of the challenges becomes a threat or remains an imminent threat if the targeted or threatened state does not possess compatible capacity to resist the consequence of adversarial conduct.

This study also examines the level of likelihood of a threat and the extent of its consequence to Indonesian national interests.

#### *Level of threat*

To identify the level of particular impacts (either threat or opportunity), mostly with regards to China's rise, this study uses the typical set of a threat assessment as has been employed by Bateman (2010) in his evaluation of threats and risk in regional maritime security.<sup>32</sup> Employing a similar assessment and other means as suggested by the theoretical and conceptual frameworks, this study identifies and assesses the likelihood of particular impacts – mainly strategic, political and military – using the following levels:

1. Almost certain – already occurs regularly.
2. Likely – will probably occur in most circumstances in the foreseeable future.
3. Possible – might occur in current circumstances.
4. Unlikely – not expected to occur unless there is a significant change in current circumstances.
5. Rare – might occur in exceptional circumstances.

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<sup>32</sup> Bateman follows the typical set of assessment developed by the "Government of Australia, *Offshore Security Assessments Guidance Paper*, Canberra: Department of Transport and Regional Services, Office of Transport Security. 2005" (Bateman, 2010).

### *The extent of consequences*

The consequences of a particular impact might be felt in diverse dimensions including politically, strategically, and militarily in Indonesia. Using the same approach of threat assessment employed by Bateman (2010), the extent of the consequences will be classified under one of the following levels:

- a. Negligible – no disruptive effects and business as usual in economic activity and regional relations.
- b. Minor – bilateral tension is significant with some breakdown of bilateral relations between Indonesia and a particular power but no conflict or disruptive effects, and the situation is manageable within existing processes.
- c. Significant – some closure of ports and particular shipping routes, but any conflict is temporary and generally constrained by regional agreements and U.N. responses.
- d. Major – significant disruption of regional trade and economic activity and some continuous bilateral or regional conflicts but generally limited to particular areas.
- e. Catastrophic – complete breakdown in bilateral or regional relations, total disruption of trade and economic activities and wide-ranging warfare between Indonesia and a particular power including the likely involvement of other powers.

### **2.5.2 The theory of balance of threat**

In addition, this study employs the balance of threat theory to examine the presence of threat to Indonesia's interests arising from regional dynamics, especially China's rise. The theory helps explain the threat in accordance with its definition and concept as described previously. In particular, Walt (1985) employs the four following factors prescribed by the theory of balance of threat: aggregate power, proximate power, offensive capabilities and intention. On the one hand, these four factors serve as a set of criteria to view the presence of the threat arising from China's rise. On the other, the theory will also identify the probable positive impact of an entity to another. In addition, the theory helps explain how the regional dynamics shape the policy making and international behaviour of one particular entity.

The four factors are influential in determining the impact of a particular entity on another as well as in shaping the perception of a particular entity toward the impact of another power on its interests. Firstly, aggregate power refers to the overall power that states can wield, the extent of which constitutes an important component of the threat that a country can pose to others. In this sense, while aggregate power can be threatening to punish enemies, it is also able to reward friends. According to Walt, the greater the total resources of a country, the greater the potential threat it can pose to others. The total resources include population, industrial and military capabilities and technological prowess. The aggregate power of a particular state engenders a motive of other states for either balancing or bandwagoning.

Secondly, proximate power can also be influential in determining the level of threats to others. In this respect, the extent of threats is highly affected by distance. In other words, the ability to project power will decline with distance, which is to say that hostile states that are nearby pose greater threats than those faraway. The outcomes of the proximate power's relationship with neighbours are either balancing or bandwagoning depending on various factors. The most frequent factor depends on the perception of a particular state on the proximate power. If a particular state perceives that the proximate power is able to compel obedience, bandwagoning will be more likely.

Thirdly, the offensive capabilities of a particular state can pose threats against others. Fischer (1982) has made a helpful definition of offensive capability which is the ability to inflict harm on others or to exert dangers on others' interests. In this context, the capability is closely related to the acquisition of material power, both military and economic. Walt (1985) argues that states with large offensive capabilities are more likely to provoke an alliance than those which are either militarily weak or capable only of defending. The effects of this factor also vary by either bandwagoning or balancing, depending on the perception of others. When the other states perceive that the state with offensive capabilities poses a threat, and they assume that they are able to match the capabilities of the threatening state, either individually or collaboratively, the balancing move will proceed. On the contrary, a state tends to succumb to, or bandwagon with, the offensive power, when it sees little hope in resisting.

Finally, the intention of a state showing its aggressiveness or friendliness marks an important factor determining the presence of a threat. States that appear aggressive are likely to provoke others to balance against them (Walt, 1985). Strong or weak states that appear aggressive will provoke others to react by either balancing or bandwagoning. Similar to the previous factors, the perception of other states of the hostile and aggressive power are influential in shaping their decision. In addition, their calculation on power and capabilities, both individually or in collaboration with other like-minded states to match the hostile power, are also central to the decision. With this factor, Walt (1985) tends to argue that “the more aggressive or expansionist a state appears, the more likely it is to trigger an opposing coalition” (p. 13). However, Walt further contends that a state’s intention is also closely related to the national interest and external dynamics. In fact, it is influenced by calculation of cost and benefit as well as relative power with the other. Therefore, the intention factor has the potential to engender not only the possibility of threat, but also the possibility of positive impact.

#### *Bandwagoning versus balancing*

It is obvious that threat is an influential factor in the making of an alliance. In making an alliance, the balance of threat theory defines two contrasting terms which are frequently used: “bandwagoning” and “balancing.” Walt (1985) defines the term “bandwagoning” as an act of a particular state to ally with a state or a coalition of states that are the source of a threat. In contrast, the term “balancing” is referred to as an action by a particular state to not ally with the source of threats and instead to make an alignment with other states which have a similar position against the source of threats.

The balance of threat theory is different from the balance of power theory in the way that the latter argues that the decision of a particular state to make an alliance (either by bandwagoning or balancing) derives from the perception of power of others, not the perception of a threat.<sup>33</sup>

As the tendency of today’s international politics suggests, Walt (1985) contends that a balancing world is more preferable than a bandwagoning one. In a balancing world, a strong power that demonstrates restraint and benevolence may

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<sup>33</sup> For more discussion on the balance of power, see Morgenthau (2006).

be valued as an ally. A hospitable and friendly gesture made by strong power will appease partners and provoke the creation of a friendly alliance. The balancing world is thus an ideal situation in which a strong power tends to take particular care to avoid appearing aggressive.

In contrast, Walt (1985) underscores that a bandwagoning world is much more competitive. If, in the international system, bandwagoning moves are much more preferable to states in which they tend to ally with the strongest and most threatening state, then great powers will be rewarded if they appear both strong and potentially dangerous. Consequently, international rivalries will be more intense, because international relations are seen as a zero-sum game; a single defeat may signal the decline of one side and the ascendancy of the other. If a strong power believes that bandwagoning is widespread, it will be encouraged to use force to resolve international disputes. This is because they will both fear the gains that the other may make by demonstrating their power or resolve, and because they feel over-confident and assume that others will be unlikely to balance against them.

## **2.6 Regional Security Complex Theory (RSCT)**

This study also approaches its analyses using RSCT. RSCT is mainly drawn from Buzan and Wæver (2003). The nature of RSCT fits this study for two reasons. First, it helps explain the landscape of contemporary East Asian dynamics, where Indonesia is situated. The RSCT's concept of the importance of geographical proximity is central in the thesis whose main analysis revolves around the regional security context. In addition, RSCT is also essential in a way that it helps analyse the formation of regional groupings in East Asia (e.g.: East Asian Summit, ASEAN Regional Forum (ARF) and ASEAN Plus Three), in which Indonesia has participated.

Secondly, as Buzan and Wæver (2003) argue, there are currently two major international relations schools: Realist and Neorealist (globalist), and the RSCT fills the gap between the schools. RSCT has been complementary to the Realist school. Despite the two theories being divergent in their understanding of power, Realists are prone to underscore material power (military and economy) in states' capability calculation. RSCT adds the dimensions of ideational power and non-security factors as well as non-state actors in the analysis. At best, the

development of RSCT complements the Realist's state-centric approach and sovereign territory concept.

RSCT differs, to some extent, from the globalist view which promotes the idea of "deterritorialisation" and the state's reduced role in international relations, especially in economic and financial cooperation. RSCT's idea, which the researcher agrees with, is that the globalist view of the reduced-relevance of territorial sovereignty should not prevail in current security analysis, as the state with its sovereign territorial concepts still plays a role in controlling wide sets of national interests. The fact that the state is either becoming an object or subject of security processes has also obviously heightened its relevance.

The relevance of the state to the analysis is in fact supported by Aggarwal & Koo (2008) and Bull (1977), a leading English School theorist. As Aggarwal & Koo underline, it is obvious that current globalisation has enhanced international interdependence, reduced transportation costs and distance, but it "does not make geography irrelevant" (p. 46). Interdependence as a by-product of globalisation does not imply the end of territorial states. They see that domestic politics and political institutions within territorial states still play important roles in determining the actual effects of globalisation and how well various countries adapt to it.

Except in economic dimensions, security or insecurity will most likely be strongly affected by geographical proximity. The regional analysis approach will thus be salient in the development of this thesis. As Buzan and Wæver (2003) argue, most threats travel more easily over short distances than over long ones, so security interdependence is normally patterned into regionally-based clusters or security complexes.

Buzan and Wæver (2003) define a regional security complex as a set of entities whose major processes of securitisation, desecuritisation or both are so intertwined that their security problems cannot realistically be evaluated or resolved apart from one another. This also means that states are considered to engage in interactive relations. They move within a system and interact with each other within a condition that allows the states to influence and be interlinked to each other. However, the states' interaction in this respect cannot only be seen in a context similar to billiard balls. The action of a state (states) does not automatically create responses or reactions by others. This is because at the same

time the way the states conduct relations in the regional system cannot be separated from states' own internal dynamics. This is where the foreign policy decision-making process, as discussed previously, takes an important role in the way that the internal dynamics provide inputs that serve as guidance and references for the practices of foreign policy agents at the international level.

Equally important, the idea of interactive relations between one potential threatening country and its external dynamics also suggests that RSCT supports the theory of balance of threat. Similar to the balance of threat theory, RSCT contends the importance of the interplay of internal and external dynamics for influencing the intention of a particular state in its international conduct. Whilst the intention is one of the four threatening factors in the balance of threat theory, it might also influence the conduct of one particular state as external dynamics and calculation of its relative power vis-à-vis the other will matter in its policy making. In this regard, RSCT further emphasises the previous argument of the theory of balance of threat, besides threatening, the intention factor has the potential to reduce the probability of the threat of one particular entity on others.

RSCT also emphasises the importance of geographical proximity in the analysis of securitisation or de-securitisation processes, and that a regional cluster will become a substantial part of the analysis. With this in mind, RSCT develops the idea of regional clusters, which categorise the world of the post-Cold War era into some Regional Security Complexes (RSC): North American RSC, South American RSC, European RSC, Post-Soviet RSC, Middle Eastern RSC, Central Africa RSC, Southern Africa RSC, South Asian RSC and East Asian RSC (Buzan & Wæver, 2003).<sup>34</sup>

RSCT further divides the analysis of the international system into three tiered-schemes: superpower and great powers at the system level (international or global level) and regional powers at the regional level. Buzan (1991) argue that the superpower is a unit which acquires grand capabilities - not only material powers (military and economic) but also ideational ones - that allow it to exert influence on others in most parts (if not all) of the globe. RSCT emphasises that this unit should also see itself as having this status and be accepted by others in

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<sup>34</sup> Buzan & Wæver (2003) highlight that the East Asian regional security complex consists of North East and South East Asia plus Australia. During the Cold War era, the three were considered as separate sub-complexes with distinct characteristics and developments.

rhetoric and behaviour. The next lower status is that of the great power. In defining the great power, Buzan (1991) reduces the standard of conditions, which is less than that of the superpower. Rather than having to have strong influences in most parts of the globe, as is required for acquiring the superpower status, being a great power requires a unit to have influential footholds just in its own region plus one or two other regions. In other words, having influence in more than one region is sufficient to attain the status of a great power. Added to this condition are claims and recognition from other units that a unit has national capabilities to exert the influences. Buzan & Wæver (2003) further explain that great powers will tend to think of themselves as regional powers and probably as prospective superpowers. The next tiered scheme in the RSCT is the regional power defined as a unit in a regional structure whose capabilities are limited, which in turn have significantly restricted its active role beyond its own region.<sup>35</sup>

## **2.7 Indonesia's Search for Dynamic Equilibrium in the Midst of Great Power and Superpower Interactions: A Central Assumption**

Based on the conceptual and theoretical frameworks, there are several main assumptions that underpin the thesis.

First, Indonesia is closely related to and highly influenced by regional dynamics. This has been enhanced by RSCT, which argues that geopolitical proximity is central to the process of securitisation or de-securitisation or both in the region. It means that Indonesian security problems cannot reasonably be analysed or resolved in isolation. In this sense, regional relations have been shaped in an interactive characteristic. The interactive relationship means that both state and regional levels are influencing each other. In the Indonesian context, while foreign policy, which is distinctively shaped by internal or domestic dynamics, has contributed to constructing the dynamics of the region, at the same time it is also influenced by the dynamics of the region.

Secondly, what Indonesia seeks in its concept of a dynamic regional equilibrium is a type of situation in which friction and a hegemonic atmosphere are absent from regional inter-state relations. It presents a situation in which harmony and the preservation of stable conditions within inter-state relations are

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<sup>35</sup> In this category, Indonesia has been classified as a regional power.



commonly observed by all players. This situation is not an ultimate end, but rather a process and means for protracted peace and security in the region. This situation is the target of the actions by regional players and does not exist by itself.

Lastly, the formulation of Indonesian foreign policy with regard to the country's search for a dynamic regional equilibrium entails an effort to promote its national interest in the midst of great power and the superpower interactions in the region. In this respect, the concept of the maintenance of dynamic equilibrium, which supports the maintenance of regional peace and security, is a means to help facilitate various efforts in the promotion of economic, political and socio-cultural cooperation in a series of bilateral, regional and multilateral forums.

**PART 1 - Regional Transformation and Its Impact on Indonesia's Interests:  
China's Rise, US' Rebalance and Japan's Engagement Policy**

Part 1 recognises that regional dynamics, which are highlighted by the presence of China, the US and Japan, have negative and positive impacts. While the negative impacts are defined as something that imposes threats, the positive ones are something beneficial supporting Indonesia's interests.

This part presents chapters, 3, 4 and 5. Chapter 3 focuses on the study of China's rise and its impact on Indonesia. In particular, Chapter 3, on the one hand, identifies the likelihood of China's threat against Indonesia's interests and, on the other, also identifies the probable positive impact of China's rise on Indonesia.

Chapter 4 first provides a study of the US policy in the region amidst the rise of China and the interactions between China and the US. It then seeks to analyse how the US interaction with China's growing rise and interests has impacts on Indonesia's interests.

Finally, Chapter 5 analyses Japan's current military transformation and its impact on Indonesia. In this respect, Japan's relations with the US and China have influenced the trajectory of Japan's transformation which, in turn, has affected Indonesia both positively and negatively.



### **Chapter 3: The Rise of China and Its Impact on Indonesia: Likely Threats in the Midst of Opportunities**

The majority of current literature, as discussed in Chapter 1, suggests that Indonesian elites have perceived the existence of both threats and opportunities arising from regional dynamics, particularly the rise of China. Novotny (2007), for example, argues that Indonesian elites' perception of China is shaped by a deep-rooted concern about China's expansionist tendencies. Their perception of China has been shaped by such premises as: "China is gigantic, China is arrogant, China is aggressive and expansionist and China is Indonesia's geopolitical rival" (pp. 178-179). In line with Novotny, Sukma (1999) also argues that the Indonesian leaders' perception of China's threat cannot be fully understood without taking into consideration their traditionally negative sentiments towards ethnic Chinese Indonesians and the disbanded Indonesian Communist Party. At the same time, elites are also aware of China's opportunities for economic cooperation.

While current literature assumes that the impacts of the regional dynamics, highlighted by the rise of China, on Indonesia's interests take two forms - hopes and threats - there is little discussion about the nature of both China's threat and positive consequences, and why China and its rise could become a threat to Indonesia, as well as to what extent the consequences of China's threats influence Indonesia's interests.

With these issues in mind, Chapter 3 seeks to fill in the gap by dividing the discussion into several parts. The first part examines China's rise using the four factors of the balance of threat theory, ranging from the development of China's economy and military as well as its intentions. This part seeks to explain such factors as China's aggregate power, proximity and aggressive capability, as well as the pattern of its intentions in international relations. The remaining part analyses how these four factors shape the impact of China's rise on Indonesia's interests. This study argues that while China's aggregate national powers, along with the growing domestic nationalist sentiment, have threatening elements, China's intentions to be prejudicial to the status quo in the region and potentially hostile towards Indonesia are restricted and minimised, mainly by its greater interests in economic benefits.

### **3.1 China's Rise in Aggregate Power: The Rise in its Economic and Military Strength**

Pillsbury (2000) defines the rise of China as the increase in China's comprehensive national power which is the collective total conditions and assets of the country in various areas. According to Pillsbury, in addition to military might, other factors are also central to defining China's strength including territory, natural resources, economic power, social condition, domestic government, foreign policy and international influence.<sup>36</sup> These factors of comprehensive national power constitute China's aggregate power.

The pursuit of comprehensive national power has become China's national strategy, and economic development is a means to achieve it. China's economic development has become the backbone of its increased power. Indeed, the growth of China's economy over the last decades has enabled the increase in its national power including military strength, territorial acquisition, natural resource management, improved welfare conditions and international influence. China's economic rise has entailed a stronger military posture along with the enhancement of other components of comprehensive national power. The economic growth has certainly increased the capability of China's foreign and security policy

Arguably, together, China's economic development, its military capability, its geographical proximity and increased offensive capabilities, match some of the factors of the balance of threat theory. In this context, China has the factors that constitute a probable threat to Indonesia's interests. However, the impact of China's rise has also been influenced by another factor: its intentions. The interplay of these factors enables a thorough analysis about China's impact on Indonesia.

#### **3.1.1 China's growing economy after reform: The factor of increased aggregate power.**

China's economy has developed quickly, especially over the last three decades. The growth of China's economy is an unprecedented phenomenon in international history (Jacques, 2009). China's economic size will match America's by 2035 and

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<sup>36</sup> Similarly, other scholars, like Maddison (1998) and Perkins (2006), argue that current dynamics see the People's Republic of China (PRC) rising.

be double by mid-century (Keidel, 2008). An overview by the World Bank (2014) highlights this growth:

Since initiating market reforms in 1978, China has shifted from a centrally planned to a market based economy and experienced rapid economic and social development. GDP growth averaging about 10 percent a year has lifted more than 500 million people out of poverty. All Millennium Development Goals have been reached or are within reach (para. 1).

China's GDP has experienced spectacular growth from the beginning of its reforms in 1978 to date. At the beginning of the reforms, China's GDP was only US\$ 148.2 billion. This amount grew to reach US\$ 11.1 trillion in 2015. The rate of the GDP growth percentage has also been striking. China had an average percentage of ten percent annual GDP growth from 1978 to 2015. This growth was the fruit of economic reform which had been initiated in the 3<sup>rd</sup> Plenary Session of the 11<sup>th</sup> Central Committee of the Chinese Communist Party in December 1978. The session passed a resolution that commanded the reform and opening up of China's economic system.<sup>37</sup>

High investment growth has become a crucial factor supporting China's development over the past 30 years. At the same time, China's robust production supported by large numbers of workers with low salaries and skills has enabled China to produce cheap export products. Since opening its economy, China has experienced a growing amount of foreign investment. From US\$ 430 million of FDI in 1982, the figure had increased to more than five hundred fold in 2012 amounting to US\$ 253.5 billion (World Bank, 2017).

At least three main factors are influential in the increase of investment in China over the past 30 years. First, stable social and political conditions create a favourable environment for investors (whether at home or abroad).<sup>38</sup> Secondly,

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<sup>37</sup> Gang (2012) sums up the economic reform in China in three terms: "progressive", "opening up" and "spontaneous". Progressive means that it is a gradual process. China carefully adapts the new capitalist market system with its existing planned system based on the premise that the Chinese planned economy is reformed gradually. The planned economy refers to the fact that socialist China regulates its economy through compulsory and instructive plans according to the requirement of objective economic laws, particularly the law of planned and proportional development based on public ownership of the means of production and on the premise of socialised production (Editorial Board of Chinese Encyclopaedia, 1988). The term "opening up" reflects a gradual opening of China's economic system to private companies and foreign-funded enterprises. "Spontaneous" style refers to a two-way-reform direction (not only a top-down process, but also a bottom-up one).

<sup>38</sup> Social and political stability, both in the domestic and international environment, is significant for the promotion of economic development in China. While economic growth has become the

China offers diverse advantages to attract investors, ranging from a huge population of more than 1.3 billion and a territory of 9.6 million square kilometres with plenty of natural resources, to the booming of a new middle-income class society with monthly earnings of US\$ 3,000-3,800.<sup>39</sup> Another factor, as Gang (2012) argues, is many investment-related resources are very cheap and attractive, including labour, land and high incentives to investors.

Besides investment, China's growth has also been supported by its exports worldwide. The world has indeed been overwhelmed by Chinese products. Not only is it famous for cheap products, China is also currently exporting various items ranging from automobiles, smart phones and digital devices to other high-tech products. The growth of Chinese exports of goods and services is immensely high: from less than US\$ 200 million in 1978 to become US\$ 12.43 trillion in 2015 (World Bank, 2017).

Obviously, China's economic reform has led to significant changes. The reform has paved the way for China join the globalised economic system. Indeed, the growth of China's economy has been supported by its opening up to the world. In this regard, China's economic rise is central to the increase in its national comprehensive power which, in turn, supports the acquisition of aggregate power. However, as the following discussion suggests, the future of China's economic growth is not all rosy.

#### *China's economic development: The question of sustainability*

Given various challenges lying ahead, China's future economic prospects are still uncertain. China's economy will continue to develop and grow, but at a slower rate than previously. Problems in its economy will lead China to become more rational and determined to carefully weigh costs and benefits in most of its policies. Most importantly, these problems will lead China to remain intertwined in the global economy.

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legitimate cause of the ruling party – China's Communist Party (CCP) – to stay in power, stability is thus as important as the economic development itself. It is also under the pretext of the promotion of economic development that the CCP suppresses any destabilising factors, including democratic and human rights movements in the country.

<sup>39</sup> Boulter (2013) argues that China's middle class is growing. In this respect, he defines the middle class as households with daily expenditures of between US\$ 10 and US\$ 100 in purchasing power parity terms. He predicts that the middle class will rise from just over 10 percent of China's population in 2009 to over 40 percent in 2020 and over 70 percent by 2030.

A number of pundits, including So (2003), Kikuchi (2006), Yue (2008), Eberstadt (2009) and Starr (2010), see China's development as problematic and unsustainable, which risks jeopardising China's future prospects. From their analyses, there are several main problems challenging the future growth of China's economy. These include: socio-demographical concerns, environmental degradation, the lack of a high technology-based industry, and other economic and political challenges.

First, China's social and demographic features contribute to undermining its economic development (Starr, 2010).<sup>40</sup> In addition, Eberstadt (2009) confirms that China's demographic challenge is discernible from the prospective labour force. Between 2009 and 2030, China's old age dependency scenario is set to rise sharply.<sup>41</sup> The aging population is increasing whilst the working population is plummeting. This problem also includes the increase in health problems of the aging population and insufficient health support for most people (Eberstadt, 2009).

Secondly, Starr (2010), Eberstadt (2009) and Chan (2006) also agree that China's economy is environmentally vulnerable since its growth highly depends on exploiting natural resources both as the material and fuel of industries. Some economic activities have severely damaged the environment and China's environmental problems have become numerous.<sup>42</sup>

Thirdly, China's economic growth has been overly dependent on the production of low-end manufactured products (Yue, 2008). This is one of the core

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<sup>40</sup> Starr (2010) identifies the thorniest problem as being how to accommodate the influx of new residents from the countryside. In 2012, China had more than 150 million migrant workers who flocked to the major cities in search for more well-paid jobs. The list of demographic and social problems include other concerns such as the growing gap in the standard of living between urban and rural China and excessive government taxes that prompt dissatisfaction in the countryside. In this context, 5 percent of agricultural tax and more tax for local governments, which have imposed various taxes for more income, have become the source of dissatisfaction for people in the countryside.

<sup>41</sup> Eberstadt (2009) writes that in 1980, China had 12 working age people for one man or woman aged 65 and older; twenty years later, that ratio was still ten to one. Today it is about nine to one; by 2030 it might be down to just four to one. The dependency and old-age burden implied by this number would be even heavier.

<sup>42</sup> Chan (2006) summarises China's environmental problems as follows: (i) at least seven of the world's ten most polluted cities are located in China; (ii) two-thirds of its 660 cities are surrounded by rubbish dumps; (iii) a third of the country suffers from severe soil erosion; (iv) 75 per-cent of its lakes and about half of its rivers have been polluted; (v) 75 percent of its wastewater is discharged untreated; (vi) 93 percent of the water flow of the Yellow river, whose basin is known as the cradle of Chinese civilisation, fails to meet China's own quality standard; (vii) 60 percent of its people drink water that does not meet the World Health Organisation's minimum acceptable standard; and (viii) one in four people dies of respiratory disease.



problems in China's economic growth. Despite many high-technology industries setting up in China, these are foreign owned companies that seek China's cheap labour and may move away to other countries once China's labour is no longer competitive. In fact, according to Yue (2008), China's indigenous manufacturing as a whole has been "squeezed to the low-end production of the value chain in the global level playing field" (p. 447). Thus Yue (2008) further argues: "Neither can this sort of 'rise' be transformed into a strong lever for China to govern international economic relations, nor can it elevate China's bargaining position and power in the international system" (p. 448).

Fourthly, despite its spectacular economic growth over the last decades, So (2003) argues that China is not free from a number of risks which include: spill overs from unemployment, property and social unrest; the economic cost of corruption; setbacks from outbreaks or the spread of epidemic disease, including HIV/AIDS; costs sustained from water shortages and pollution; reverberations from constrained energy supplies or energy price shocks; shockwaves generated by the fragility of the financial system and state-owned enterprises; the possible shrinkage of direct foreign investment; and potential international conflict over Taiwan or some other 'flash point'. In addition, China is also not free from the possibility of emerging political and social conflicts and has to deal with increasing pressure from global competition after WTO entry, as well from the possible emerging social conflicts, and how to position itself in a hegemonic struggle with the US.

Overall, the arguments above show that many challenges are likely to curtail China's rise in the future. This sounds more pessimistic and suggests that China's international performance will be exhausted and potentially collapse sooner or later. However, not to be extremely pessimistic, this thesis sees the challenges have only stalled China's economy. Instead of collapsing, it is evident that China's economy continues to grow, but at a different tempo. Indeed, in January 2016, China recorded its lowest economic growth in 25 years. After a successive twenty-year of double digit growth, the International Monetary Fund expected China's economy to grow at a slower tempo in 2016 and 2017. Nevertheless, Chinese economic growth is still above average to that of World growth with 6.3% in 2016 ("China Economic Growth," 2016). In the face of the challenges, the Chinese regime and society have, as a whole, been engaging in a

“systemic process of building capabilities” (Naughton, n.d. 3). In this regard, while the cause has been due more to the global economic downturn, China’s domestic challenges and assertiveness cannot be overlooked.

*China’s future economy: Growing at a different tempo and remaining interdependent with a globalised system*

Given the wide scope of China’s economic problems, separate research is required to look in detail at how the problems have impacted on China’s economy and what China has been doing to counter the problems. This, though, is beyond the immediate concern of this thesis. However, in view of China’s economic challenges, this study acknowledges that while some of the challenges are potential impediments to China’s growth, some are also potential stimulants to improve China’s economy. This study, therefore, acknowledges that despite the problems, China’s economy continues to develop, but at a slower tempo. While China focuses on addressing the economic problems, the country remains on its growth trajectory albeit at a slower speed.

The challenges may halt China from being the greatest or from emulating the current superpower in many indicators, including GDP per capita. China’s challenges may be difficult, but “increasingly China has the means and resources to solve them” (Naughton, n.d. 3). Equally important, as Pei (2006) argues, with selective co-optation and control pursued by the central government, Beijing has the means and skills to confront and contain the threats to its economy. China was the world’s second largest creditor after Japan in 2013 (“Japan, China and Germany,” 2013); China was among the nations that have the largest gross national savings (\$4.6 trillion as of 2013) (Alexander, 2013); and China was the world’s largest trader (\$4.16 trillion in 2013) (“China Overtakes US,” 2013). Also, China was the second largest importer and had the third largest service sector in the world (“China Imports Rise,” 2014). In addition, China has the highest number of outbound tourists and amount of overseas spending in the world. 97 million Chinese travelled abroad in 2013, beating the 2012 mark by roughly 14 million, and the number accounted to 100 million in 2014 (Peng, 2014a). Some of these facts have highlighted the significance of the Chinese economy and its interdependence with the world.

While these achievements are not a guarantee of a bright economic future, they demonstrate China's steadfast performance over the decades following its economic reform. In addition, China's government is aware of demographic concerns, especially stemming from its growing aging population due to the strict one-child policy for the last decades. Thus, in a response to such a challenge, in October 2015 China abandoned its one-child policy ("China Ends," 2015). China was also aware of its long dependence on unsustainable cheap and low-technology products. To address such a challenge and build a sustainable industry depending on improved and high technology, China has increased its Research and Development (R&D) spending. In 2013, for example, China's R&D spending increased by 15% from 2012, which was second only to the US. Around 75% of spending is by industry, which also contributes to the majority of the funds. Looking at the breakdown, the largest category of research is technology development (Ni, 2015).

	1996	1997	1998	1999	2000	2006	2007	2008	2009	2010	2011
Exports of goods and services (BoP, million US\$)						1,255,356	1,493,566	1,493,566	1,260,332	1,647,715	1,990,663
Exports of goods and services (annual % growth)	12	23	7	14	32	21	14	-1	-12	27	4
Foreign direct investment, net inflows (% of GDP)	5	5	4	4	3	5	4	4	3	4	4
Foreign direct investment, net inflows (BoP, million US\$)	40,183	44,237	43,751	38,753	38,399	124,082	156,249	171,535	131,057	243,703	280,072

*Table 3.1 China's economic indicators (World Bank, 2013).*

China's future growth is not automatic; rather, it requires effort and needs international peace and stability. Indeed, the challenges have made it clear that China's development continues to require its engagement with the international economy. During the Asian financial crisis in the late 1990s, for example, China's incoming foreign investments and exports experienced a slight decline. Only after the Asian financial crisis passed did foreign investment and exports return to previous levels. Similarly, at the beginning of the 21<sup>st</sup> century, both the US and Japan moved into economic recession. The economic recession in the two

countries produced stifling effects on China's economy, leading to a decline in foreign investments and exports and a slight rise in its unemployment. Table 3.1 shows that in the 1998 Asian financial crisis, China experienced a slight decrease in its export volumes with not much influence in its net inflow of FDI. A similar trend of a reduction in China's exports was also apparent during the 2008 American financial crisis.

It is obvious that China's economic growth depends on international cooperation in the globalised world. China's current economic policy, such as to establish a Free Trade Agreement for the Asia-Pacific (FTAAP), to promote the region's connectivity through a plan called the Silk Roads (either the Silk Road Economic Belt or the 21<sup>st</sup> Century Maritime Silk Road), or to endorse ASEAN's Regional Comprehensive Economic Partnership (RCEP)<sup>43</sup> and the establishment of the Asian Infrastructure Investment Bank (AIIB) have indicated that China is willing to include others in the interest of economic cooperation.

Overall, given the challenges discussed previously, China's economy might work at a slower tempo. Equally important, the globalised world has also led China's economy to remain connected to, and interdependent with, the global economy. This situation has rendered China's economic development, the backbone of its comprehensive national power, highly dependent on international peace and stability. In the end, China's desire to promote its economic growth will highly influence its intentions: one of the core factors in the analysis of China's impact discussed in the later part of this chapter.

### **3.1.2 China's growing military: Aggregate power with an offensive capability**

After economic strength, another element of China's aggregate power is military force. Reviewing China's military force helps determine its offensive capabilities – the third factor in the balance of threat theory.

The data issued by SIPRI (2013) showed that China has developed its military capabilities by engaging in ongoing military modernisation since the

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<sup>43</sup> The RCEP was an ASEAN initiative that was first introduced at the 19th ASEAN summit in 2011 (ASEAN, 2011). It was then launched during the East Asia Summit in 2012 and sought to link the ten ASEAN member states and the group's Free Trade Agreement partners, Australia, China, India, Japan, South Korea and New Zealand. The RCEP is expected to tackle trade in goods, services, investment, economic and technical cooperation, intellectual property, competition policy, and dispute settlement (Hiebert and Hanlon, 2012).

1970s. A new paradigm of military development has also been introduced in response to China's understanding of the importance of information and technology capabilities in current warfare.

In light of its economic growth, China has increased the procurement of modern systems in its land, air, naval, and missile forces. The modernisation programs have managed to increase the growth of the People Liberation Army's (PLA) total capabilities, especially in the context of its "Local War under Conditions of Informationisation" military doctrine. According to a statement from the Headquarters of the General Staff of China's PLA ("Military Restructuring," 2005), the Chinese military has transformed its traditional structure by adding new battle units and reducing or eliminating outdated ones to create new combat effectiveness. This program includes cutting the PLA's divisions and increasing its brigades. In addition, the reform serves to optimise the internal structure, increase science and technology content and intensify the joint combat capability of troops.

Military growth has been the aspiration of China's economic development. For its leaders, a strong military force is a means to protect national interests. This aspiration of developing a modernised military force was evident from China's white papers issued in 2013 (PRC's Ministry of National Defence, 2013) and 2015 ("Full Text: China's Military", 2015).

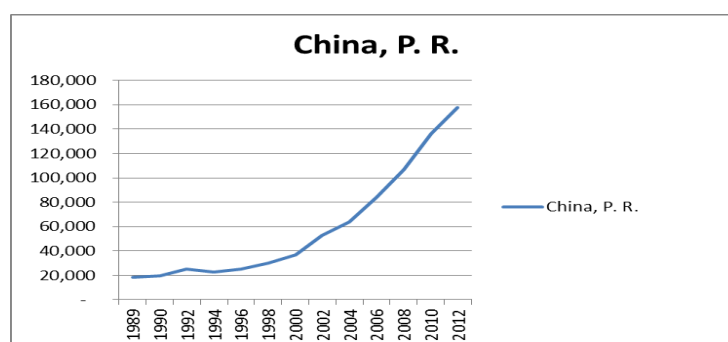


Chart 3.2 China's military expenditure, in current US\$ million  
Source: SIPRI database 2013 (SIPRI, 2013)

The aspiration has been manifested in an increase in China's military expenditure over the last three decades. A report by the Carnegie Endowment for International Peace (2013) revealed that from US\$ 18.3 billion in 1989, China increased its military spending to US\$ 37 billion in 2000 and continued to increase its military spending fivefold reaching US\$ 157.6 billion in 2012 (See Chart 3.1). It is, however, important to note that China's defence budget was

actually decreasing in its share of overall government expenditure. The Carnegie Endowment for International Peace (2013) suggested that between 2000-2010, the percentage of China's military spending was relatively constant to the share of its GDP (averaging 1.3% of GDP between 2000 and 2010) and gradually declined as the share of overall government expenditure (from 7.6% in 2000 to 5.9% in 2010). Nevertheless, China's military spending still amounted to the second biggest in the world after the US. Moreover, most defence analysts agree that China's official military and defence statistics likely understate its actual spending.

The higher China's economic development, the more the increase in the level of China's defence spending is. Sustained economic growth has meant that China has the financial resources to support the development of its military and defence systems. Economic development has also required the growth of China's military capabilities to protect economic interests, especially in the maritime area. In this context, China justifies its military development based on its perception of the increasing external challenges that have the potential to disturb the country's economic interests at sea. The development of China's military is expected to safeguard not only the boundary of national territory, but also the boundary of national interests that lie far beyond its territories.<sup>44</sup>

*What kind of military growth does China enjoy?*

Blasko (2012) contends that, from its beginning in the late 1970s, Chinese military modernisation has had multiple components. Chinese leaders have used three terms to describe the various facets of the process: modernisation, regularisation and streamlining. By "modernisation", the improvement of China's military capability has been mainly focused on updating equipment, strategy and tactics. This includes reductions in the amount of old equipment and at the same time procurement by purchasing or making their own weapons. By "regularisation," the improvement emphasises improving the quality of personnel and professionalisation. Lastly, "streamlining" includes force changes, restructuring and the standardisation of organisation and procedures.

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<sup>44</sup> China's military manoeuvres and capabilities with its extended area of interests were evident in such examples as: China's naval exercises involving the new aircraft carrier and some destroyers as well as other ships in the SCS and further south into areas including the West Pacific, the East Indian Ocean near the northern border of Australian waters, in the East Indian Ocean at the area between Andaman Sea and Nicobar Island in 2013 and 2014 ("Chinese Navy Squadron," 2014), as well as in the Gulf of Aden and African waters ("Chinese Naval Escort," 2016).

One of the visible shifts in China's military posture that has concerned the US strategists is what the US' Department of Defense calls China's Anti-Access / Area Denial (A2/AD) capability (US Department of Defense, 2013a). Although the term A2/AD is less used in Chinese authoritative and official documents (Fravel & Twomey, 2015),<sup>45</sup> China's acquisition of such a capability has demonstrated its continuous effort to develop measures able to deter or counter intervention, particularly by the US, in any specific campaign scenario. In this respect, a report by Cordesman et al. (2013) for the CSIS describes the A2/AD capabilities as follows:

China's approach to dealing with this challenge [intervention of other power in China's waters] is manifested in a sustained effort to develop the capability to attack, at long ranges, military forces that might deploy or operate within the western Pacific. China is pursuing a variety of air, sea, undersea, space and counter-space, and information warfare systems and operational concepts to achieve this capability, moving toward an array of overlapping, multi-layered offensive capabilities extending from China's coast into the western Pacific (p. 18).

Equally important, China's military growth has also displayed an enhanced power projection capability, including in joint air and maritime forces, far beyond China's coastal areas to maintain maritime, space, and electromagnetic space security. This includes the development of its missile capabilities and a blue-water navy (Chang, 2012). In addition, China has also focused on enhancing its ability to control and dominate the information spectrum in modern battle fronts. This ability is about the readiness to engage in a modern digital and information war. Through this improved capability, China seeks to achieve air and sea superiority in the region. Obviously, China's military is designed to include efforts to manoeuvre in all disputed areas that involve China and other claimants. This includes almost all parts of the SCS (affecting Indonesian territorial claims north of Natuna Island) and in the western Pacific.

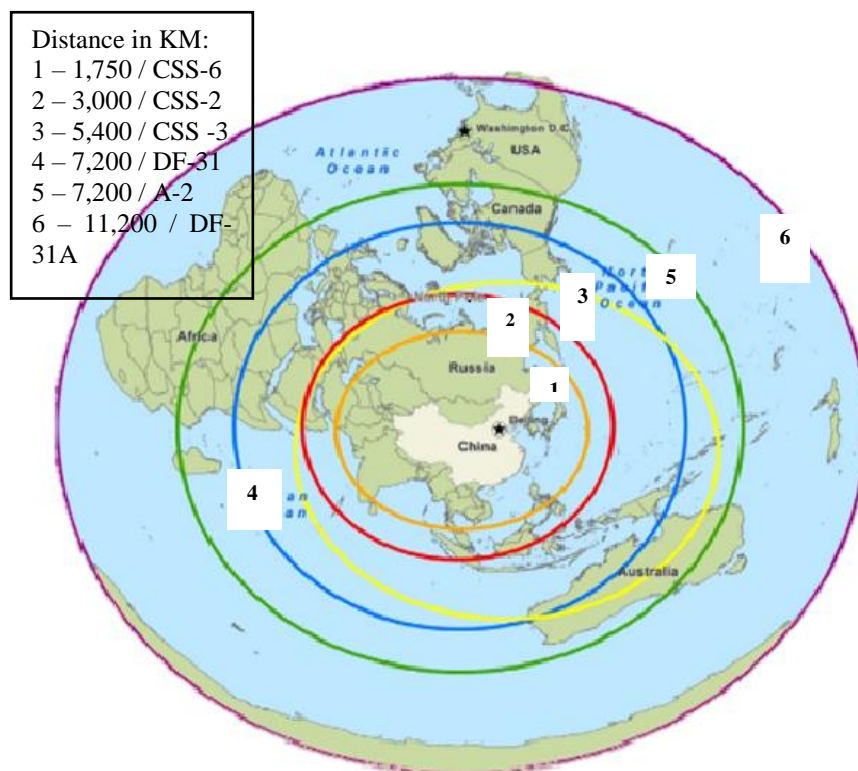
The increase in the PLA's capability to engage in digital warfare has also been obvious. China has improved information and operational security to protect its own information structures, and is also developing electronic and information warfare capabilities, including denial and deception. According to the CSIS file

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<sup>45</sup> According to Fravel & Twomey, the term "A2/AD" is never mainly used by Chinese military authorities as a strategy against any external intervention. Instead, China has developed various strategies focusing on campaigns in the farther area of its coasts, and the area denial capability is only a tiny part of its grand military design.

(Cordesman et al., 2013), China's information strategy likely envisions the employment of military and non-military instruments of state power across the battle fronts, including cyberspace and outer space.

Furthermore, the capability to project force further from its near coast has potentially boosted China's military performance. In this respect, China's increased military capabilities with its planned purchase of Russia's Su-35 will increase its manoeuvrability in the aerial area far from its homeland. In addition, current and projected missile systems will allow the PLA to strike regional air bases, logistical facilities, and other ground-based infrastructure. China's military force is armed with ballistic missiles, ground and air-launched land-attack cruise missiles, special operations forces, and cyber warfare capabilities to hold targets at risk throughout the region. This development allows China to manoeuvre and present military threats to regional states.



*Figure 3.3 China's Conventional Missile Strike Capabilities*  
 (Adapted from the US Department of Defence's Report to Congress (Source: US Department of Defense 2013a, p. 81).

Furthermore, in view of the balance of threat theory – especially the offensive capability factor – China has another offensive capability, which is supported by long-range missiles. Figure 3.3 convinces advocates of the China threat school of thought that without the capability to match or have defensive



military devices to intercept and to shield against strikes by China's ballistic missiles, any country which is in the range of this missile system is exposed to a potential threat. Figure 3.3 shows Indonesia's geographical proximity and vulnerability in light of China's medium and intercontinental range of ballistic missiles.

Another element of China's military growth is maritime power. China seems particularly driven to develop a blue-water navy capability. O'Rourke (2016) writes that the purchase of the *Sovremenny*-class destroyers from Russia in the late 1990s indicated that the People's Liberation Army Navy (PLAN) had begun to focus on developing warships that are not only able to engage hostile ships by means of precision missile strikes, but also provide defence against air, submarine and missile strike attacks.

This also includes the development of the new base for aircraft carriers on the southern coast of Hainan Island, along with the expected construction of the second aircraft carrier (Tiezzi, 2015a and 2015b). At the beginning of 2014, China was reportedly building a second aircraft carrier, estimated to be completed by 2018. A report in South China Morning Post ("Work Under Way," 2014) stated that Liaoning party chief Wang Min told a panel of the Provincial People's Congress that the second carrier was being built in the city of Dalian. The report also quoted Wang as saying the port city was building two advanced 052D destroyers. This confirms China's push to develop blue water navy at a time when it is gradually increasing its military muscle in the region.

China's enhanced capability, including aircraft with an increased flight duration and ability to carry greater loads as well as enhanced capability to control the waters, will boost China's presence in all parts of disputed territories, including the southern part of the SCS. This could lead to more frequent encounters with others including Indonesia, creating more opportunities for crises and potentially allowing China to create new "facts on the ground," which may serve as the starting point for negotiations over a settlement. This overwhelming Chinese presence around disputed territorial claims will leave others with the options of significantly increasing tensions or accepting a regular Chinese military presence.

Class	1985	1990	1995	2000	2005	2010	2015
Aircraft Carrier	-	-	-	-	-	-	1 (in 2013)
<b>Submarines</b>	<b>117</b>	<b>63</b>	<b>48</b>	<b>50</b>	<b>55</b>	<b>63</b>	<b>71</b>
SSBN Jin	-	-	-	-	-	2	4
SSBN Xia	1	1	1	1	1	1	-
SSN Shang	-	-	-	-	1	3	4
SSN Han	3	4	5	5	5	4	2
SS Kilo	-	-	1	4	10	12	12
SS NEWCON	-	-	-	-	-	-	10
SS Yuan	-	-	-	-	2	2	2
SS Song	-	-	-	1	10	20	20
SS Ming	2	3	10	17	17	17	15
SSB Golf	1	1	1	1	1	1	1
SS Wuhan	1	1	1	1	1	1	1
SS Romeo	90	53	29	20	7	-	-
SS Whiskey	20	-	-	-	-	-	-
<b>Destroyers</b>	<b>15</b>	<b>18</b>	<b>18</b>	<b>19</b>	<b>24</b>	<b>26</b>	<b>25</b>
DDG Luzhou	-	-	-	-	-	3	6
DDG Hangzhou (Sovremenny)	-	-	-	1	2	4	4
DDG Luyang II	-	-	-	-	2	3	4
DDG Luyang I	-	-	-	-	2	2	2
DDG Luhai	-	-	-	-	2	1	1
DDG Luhu	-	-	1	2	2	2	2
DDG Luda	11	16	17	16	14	11	6
DD Anshan	4	2	-	-	-	-	-
<b>Frigates</b>	<b>31</b>	<b>37</b>	<b>32</b>	<b>40</b>	<b>46</b>	<b>47</b>	<b>47</b>
FFG Jiangkai	-	-	-	-	2	12	22
FFG Jiangwei II	-	-	2	6	10	10	10
FFG Jiangwei I	-	-	4	4	4	4	4
FFG Jianghu	20	26	26	30	30	21	11
FFG Jiangdong	2	2	1	-	-	-	-
FFG Jiangnan	5	5	-	-	-	-	-
FF Chengdu	4	4	2	-	-	-	-

Table 3.4 The PLAN inventory (adapted from Global Security, 2014).

In addition, based on Table 3.4, China possesses a significant and increasing naval military advantage. The modernisation program has been obvious from the decreasing amount of old equipment and ships, while improving and adding new ships in several classes. The build-up of China's maritime power, including its Southern fleet, should be a concern for the other claimants in the SCS disputes, especially because one of the geographical areas of China's forces operations would naturally be in this sea. Accordingly, the factor of geographical proximity along with China's possession of aggregate power and offensive capabilities as the theory suggests, contributes to the presence of a threat to Indonesia's interests.

A strong military build-up and increased military budgets, by themselves, will not convincingly demonstrate an offensive capability, because an offensive posture might differ only slightly from a defensive one. Moreover, a defensive

capability has the potential to shift into an offensive one. As Fischer (1982) describes, most types of arms can serve offensive as well as defensive purposes, and would be classified somewhere along a continuous spectrum between these two cases. Indeed, the acquisition of armaments by a country usually has dual capabilities: defensive and offensive. Fischer helps clarify this delicate balance by arguing that arms that reduce the security of others without contributing to one's own security are called purely offensive, and arms that enhance one's own security without endangering others are called purely defensive. Ultimately, it will be a subjective view by the states concerned.

	<b>Indonesia</b>	<b>China</b>
Rank of Global Fire Power	15 <sup>th</sup>	3 <sup>rd</sup>
<b>POPULATION</b>		
Total Population	242,325,638 (2012)	1,344,110,000 (2012)
Available Manpower	129,075,188 (2011)	749,610,775 (2011) or 1.25 million (est.2013)
Fit for Service	107,538,660 (2011)	618,588,627 (2011)
Active Front Line Personnel	438,410 (2011)	2,285,000 (2011)
Active Reserve Personnel	400,000 (2011)	800,000 (2011)
<b>LAND SYSTEM</b>		
Tanks	400 (2012)	7,000 - 7,950 (2012)
Armoured Fighting Vehicle	506 (2012)	18,700 (2012)
Self-Propelled Guns	647 (2012)	2,500 (2012)
Towed Artillery Pieces	62 (2012)	8,000 - 25,000 (2012)
Rocket Projectors	50 (2012)	2,600 (2012)
Logistical Vehicle	11,100 (2012)	75,850 (2012)
<b>AIR POWER</b>		
Total Aircraft	444 (2012)	2,300 - 5,048 (this includes Air craft fighters and bombers / attack; est. 2013)
Helicopter	187 (2012)	901 (est. 2013)
<b>NAVAL POWER</b>		
Total Strength	150 (includes auxiliaries)	972 (includes auxiliaries)
Aircraft Carrier	0	1 (2012)
Destroyer	0	23-25 (2012)
Frigates	6 (2012)	47 (est. 2012) or 52 (est. 2013)
Corvette	23 (2012)	0
Submarines	2 (2012)	63 (2012)
Coastal Craft	70 (2012)	322 (2012)
Mine Warfare	12 (2012)	52 (2012)
Amphibious Assault	26 (2012)	228 (2012)
<b>FINANCIAL (US\$)</b>		
Defence Budget	5,220,000,000 (est. 2012)	192,272,000,000 (2012)
Reserves of Foreign Exchange and Gold	110,100,000,000 (est. 2012)	3,236,000,000,000 (2012)

*Table 3.5 The comparison of military power between Indonesia and China (The data was collected from several sources: Global Fire Power (2012), the report of US Department of Defense for the Congress (US Department of Defense, 2013a) and SIPRI database (SIPRI, 2013)*

To what extent is China's military capability defensive or offensive in nature? China's leaders have repeatedly mentioned that the country's military development is purely designed for a defensive posture. China's two belligerent moves against Vietnam and the Philippines in the SCS disputes in 1978 and 1995 respectively, for example, have been claimed as responses to defend its territorial sovereignty against foreign occupations.

With regard to China's military, it is worth reviewing the concept of a threat as previously described in Chapter 2. China's military capabilities – either defensive or offensive – have the potential to pose a threat to Indonesia since they bear the element of having the probability to create harm, danger or risk that is likely going to interrupt or jeopardise Indonesia's interests in the Natuna waters. Seen in this light, the differing natures of defensive and offensive capabilities are actually less significant since both are theoretically threatening.

Similarly, the concept of threat also suggests that the consequence of a challenge will become a threat if the targeted state does not have a compatible capability to counter it. In view of Table 3.5, China would become a threat owing to Indonesia's inability to counter it, or at least to develop a balanced military posture. Table 3.5 compares China and Indonesia's current conventional military capabilities.

### **3.2 China's Intentions amid Constraints**

The accumulation of material powers alone that highlight China's aggregate power, proximity and offensive capabilities, is insufficient to determine whether China has hostile intentions toward Indonesia. Indeed, while such factors as China's aggregate military power, along with its proximity and offensive capability, are theoretically threatening, relying only on these factors cannot wholly explain the impact of China's rise on Indonesia's interests; a review of China's intentions – is also required.

Rosato (2015) defines intentions as follows: "intentions entail actions: when states intend something, they plan to perform specific actions or behave in particular ways" (p. 52). Accordingly, intentions are related to the apparent conduct or behaviour a state displays. This definition is in line with the balance of threat theory that suggests the intentions of states can be analysed from their conduct or behaviour.

It is obvious that the theory of balance of threat does not distinguish between the term “intention”, which is invisible, and behaviour, which is a visible element of states’ conduct. In this sense, intentions are extremely difficult to know fully, even when they are stated and known, as they can possibly change and there is no guarantee that they remain constant (Mearsheimer, 2001). At a minimum, to help understand intentions, some obvious indicators are needed. In this respect, the concept of Foreign Policy as discussed in Chapter 2 suggests that the patterns of international actions which reflect the interplay of external dynamics and domestic interests can serve as indicators of international actor’s intentions.

From some of its international behaviours and domestic inputs, it is argued that China’s policy aims at serving four core interests: (i) securing gains in economic interests to promote growth; (ii) maintaining peace and security, including promoting good bilateral relations with neighbours and the international community; (iii) fighting for territorial integrity and sovereignty that includes recovering lost territory and resisting the interference of external powers; and (iv), serving domestic nationalism. Serving the four main interests are central for reinforcing the position of the Chinese Communist Party in power.<sup>46</sup> To pursue the four interests optimally in the midst of its restricted capabilities and external surveillance, China has, first, pursued a revisionist intention, which is disguised in pro-status quo moves, and secondly, made use of its growing power to shape trans-boundary interactions in the region, including with Indonesia.

### **3.2.1 International behaviour: Between promoting interests and external demands**

Arguably, throughout its international conduct, China has displayed an array of assorted behaviours. The assorted behaviours reflect its assiduous efforts to achieve the four core interests. On the one hand, China’s peaceful behaviours have displayed an ostensibly pro-status quo power, which is adaptive to prevailing customary international views and norms, as well as being active in various

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<sup>46</sup> This is in line with Holslag (2014) who summarises that China’s most important aims have been clear since 1949. The first aim has been to sustain control of frontier lands such as Yunnan, Tibet, Xinjiang, Inner Mongolia, and so on. The second goal has been to reinforce the position of the Communist Party in China’s politics by maintaining security, stability and promoting growth. The third aim has been to attain respect for China’s sovereignty. The final objective has been to recover “lost territory”: Taiwan, the disputed SCS, a large part of the East China Sea and areas of contested borderland in the Himalayas.

international organisations. On the other, China, however, cannot hide its violent postures. Yet, following these, it tends to appease the international community by displaying an impression that China is still a peaceful nation with status quo intentions. China has defended its violent postures in the disputed territories, for example, as defending its national interests and not as an aggressor. In doing so, China seeks to secure its international standing for economic benefits. This is reflected in China's efforts to continue promoting its economy through opening up its export markets and attracting more foreign investment as well as avoiding widespread regional apprehension against its military rise and assertiveness.

The mixed nature of China's international behaviour is indeed evident. On some occasions, China's peaceful posture displays friendly and "responsible" actions in its international engagement.<sup>47</sup> This has been displayed in its diplomatic approaches such as in the United Nations, its increased participation in various international governmental organisations (Xie, 2011; Wang, 2013) and peace-keeping operations (Gill & Huang, 2009). China has participated in regional organisations including ASEAN and the Family (the East Asia Summit and the ASEAN Regional Forum) (Chan, 2006), as well as adopted approaches that include compromises on international law and practices (Saul, 2013).<sup>48</sup> China has also displayed its generosity through giving aid and loans to several countries (Cheng & Lien, 2012). There are also lists of China's friendly actions in its regional role. During the Asian financial crisis of 1997-98, for example, it resisted temptations to devalue its currency as the devaluation might have triggered another crisis (Halloran, 1998; Wang, 2000).<sup>49</sup> As a result, China's enmeshment

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<sup>47</sup> The term "responsible" here refers to Cheng Sijin's definition (as cited in Chan, 2006), who suggests five indicators for gauging China's responsibility in the international system: (i) collective governance – participation in multilateral regimes; (ii) acceptance of the norms of the international community; (iii) awareness of security interdependence; (iv) management of the regional balance of power and (v) non-intervention in others' domestic matters.

<sup>48</sup> Chan (2006) summarises that by 2006, China had been a member of some 304 international governmental organisations and 2,786 international non-governmental organisations. The reasons for joining these organisations are many, including China's concerted effort to gain or strengthen its international legitimacy in competition with Taiwan, the transfer of technology, and the attraction of aid and investment.

<sup>49</sup> In various diplomatic forums, this move has been regarded as China's friendly gesture and also been heralded by Chinese officials for its diplomatic leverage of promoting a "good neighborliness" policy. In fact, the not-devaluing policy was considered as a tolerant move by China during the regional economic crisis (Wang, 2000). However, Wang (2000) also sees the move as important to serve Chinese businessmen as well. Rather than being motivated to only secure the economic interest of other countries in the region, the move of not devaluing the Chinese renminbi was also to protect the interests of Chinese exporters who relied heavily on

and enhanced roles in the world demonstrate that China has ostensibly been a friendly international actor.

In this respect, China understands that ostensibly good and responsible international conduct would be an asset that grants it some economic and political advantages. In particular, China's international aid cannot be far from its motivation to gain support for its exports and overseas investment. China's assistance worldwide has also been a card that is likely being used to promote China's posture as a good and responsible actor as well as to cement friendships and secure the support of the targeted countries. In addition to securing economic interests, this conduct has the potential to enhance China's international status. Indeed, it was the same "card" that President Xi Jinping played in his speech before the Indonesian Parliament in 2013.<sup>50</sup> China's friendly gestures towards the region are also obvious from its current strategies as mentioned previously.

The 21<sup>st</sup> Century Maritime Silk Road is one of China's two massive plans for establishing trade networks and greater connectivity through East Asia into the Middle East and Africa – the other is the New Silk Road or the Silk Road Economic Belt encompassing land based routes to connect China and Europe through Central Asia (Danlu, 2013).<sup>51</sup> Together, both are aimed at demonstrating China's soft side and fostering China's strategic influence in the region. In this regard, China holds out the prospect of tens of billions of dollars of investment in ports along the corridor that it calls "the 21st-Century Maritime Silk Road," encompassing the area of Southeast Asia and all the way to Venice by way of South Asia, Africa and the Middle East (Xuxin, 2014).<sup>52</sup> The Maritime Silk Road

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imported materials. At a glance, by not devaluing the renminbi/yuan it would generate more benefit by reducing the prices of China's imports and it would enhance the competitive advantage of Chinese exports that earn benefit by importing low priced products. In this respect, the Chinese were concerned that the policy of devaluing the renminbi would make import materials for export industries more expensive.

<sup>50</sup> In his speech, President Xi Jinping mentioned China's humanitarian assistance and contribution in several reconstruction programs in Indonesian areas hit by natural disasters (James, 2013).

<sup>51</sup> In September 2013, in a speech at Kazakhstan's Nazarbayev University, Xi announced the so-called "Silk Road Economic Belt," a new foreign-policy initiative aimed at boosting international cooperation and joint development throughout Eurasia. To guide the effort, Xi identified five specific goals: strengthening economic collaboration, improving road connectivity, promoting trade and investment, facilitating currency conversion and bolstering people-to-people exchanges (Danlu, 2013).

<sup>52</sup> The phrase "the Maritime Silk Road" dates back to as early as 2,000 years ago, when Chinese ancient merchants sailed from China's eastern coast, passing Southeast Asia, Southernmost of India and East Africa, all the way to the Persian Gulf and the Red Sea, strengthening economic ties and cultural communication (Xuxin, 2014).

seeks to deepen economic and maritime links and integrate all the existing cooperation mechanisms among the countries along its route. According to one version of the blueprint, the Maritime Silk Road begins in Fuzhou in Southeast China's Fujian province, and heads south into the territories of ASEAN nations. From the Malacca Strait, the Maritime Silk Road turns west to countries along the Indian Ocean before meeting the Silk Road Economic Belt in Venice via the Red Sea and the Mediterranean (Peng, 2014b).

In addition, the China-founded AIIB has highlighted China's increasing influence in financial and economic realms. Currently, 22 countries have signed the Memorandum of Understanding (MoU) of the AIIB as founding members (Yanting, 2014).<sup>53</sup> With authorised capital of US\$ 100 billion, including the initial subscribed amount expectedly around US\$ 50 billion, the AIIB would fund the construction of roads, railways, power plants and telecommunications networks in Asia in order to keep the region's economies developing (Luan, 2014). At the centre of these current programs is the Chinese premise of the "Asia-Pacific Dream" based on the "shared spirit of Asia" and "Asia for Asians" with the exclusion of the US in the region.<sup>54</sup> These plans display a preference for revising the regional order.

In addition to its ostensibly good and responsible behaviours, China's efforts to enhance the four core interests have also been apparent in its "perilous" international conduct. This ranges from "reckless" cooperation with some regimes that have earned international condemnation,<sup>55</sup> to its resolute behaviour over

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<sup>53</sup> As of November 2014, the 22 founding members of the AIIB include: Bangladesh, Brunei, Cambodia, China, India, Indonesia, Kazakhstan, Kuwait, Laos, Malaysia, Mongolia, Myanmar, Nepal, Oman, Pakistan, Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam (Shaohui, 2014).

<sup>54</sup> Statements by the President of China, Xi Jinping at two important international meetings have evoked China's vision for exclusive Asian cooperation with the absence of the US. At the opening ceremony of the 2014 APEC-CEO Summit in Beijing, 09 November, 2014, Xi reiterated, "The Asia-Pacific dream is about acting in the spirit of the Asia-Pacific community and out of a sense of shared destinies" (An, 2014a; para 5). This statement correlates with his previous address at the Conference on Interaction and Confidence Building Measures in Asia (CICA) held in Beijing in May 2014. At CICA, Xi made it clear that "Security problems in Asia should be solved by Asians themselves through cooperation" (Xuequan, 2014; para. 8).

<sup>55</sup> China's "reckless" international relations are divided into two main categories. First is China's relations with regimes that earn worldwide condemnation for their potential to destabilise international peace, security and stability. This includes China's relations and support to countries ruled by hostile and belligerent regimes such as North Korea. Another example is China's ambivalence in supporting UN economic sanctions against Iran. China managed to maintain and increase its economic cooperation with Iran amid the international sanctions on Iran over its nuclear proliferation program. The second is China's relations with countries ruled by regimes that



claims in the disputed SCS. Despite these acts of perilous conduct having the potential to delegitimise its international reputation, China has ways to defy international outcries and it always defends its position by claiming that these are efforts for protecting and securing its own national interests.

In fact, China's growing cooperation with, and support for, the regimes of rogue countries has led to China being seen as an actor challenging accepted international norms and morality. China has increasingly invested and pursued business activities in those countries. In addition, China's economic growth has also required an increase in China's energy consumption. Some of the countries are among the energy producers that offer China more competitive prices given their restrictions owing to international sanctions. Seen in this light, China's international relations and cooperation with the regimes should be viewed as China's move to secure its economic interests so as to guarantee markets either for Chinese exports or for energy suppliers.

In addition, China is reluctant and defensive against the issue of promoting human rights and democracy.<sup>56</sup> Under the parlance of promoting national stability for economic progress, China's government has exerted an "iron" policy suppressing any domestic democratic movements supporting freedom of speech and a free flow of information. The maintenance of national stability has also become a rationale for silencing human rights activists in the country.

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practise bad governance, violate human rights, maintain authoritarian and military rules and use their power to suppress their own citizenry. This category includes China's support for leaders of countries that were undergoing political turbulences and seeing strong rejections by the people over controversial results in political elections. This is noticeable in China's support to countries like Sudan (before it was separated into North and South Sudan), Angola, Zimbabwe, Eritrea and Burma (or Myanmar).

<sup>56</sup> China's view on promoting human rights is different from that of the West. The difference arises from China's cultural relativism and development process. According to Zhu Peng, a politics professor from Peking University (as cited in Chan et al., 2012), Chinese culture prefers collective rights to individual rights thereby placing more preference and high emphasis on the state's rights over individuals. In addition, China assumes that, as a developing country, it needs to address various challenges and promote its development objectives which include providing subsistence, education, health and other staple necessities. The fulfilment of these, which are referred to as "development rights," prevails and is the government's priority over any individual right. China's government asserts that the development right is a part and a parcel of human rights. A state has the responsibility and authority to guarantee the fulfilment of this developmental right. The distribution of rights is therefore the monopoly of a state, and the rights of certain individuals can be restricted or removed.

Last but not least, China's desire to assertively recover its lost-territories has been obvious in the SCS dispute.<sup>57</sup> In this regard, China has caused international apprehension owing to its unilateral building of military facilities and artificial islands on disputed claims, along with its continuous military build-up and manoeuvres deterring neighbours in the disputed SCS. In addition to this list, is China's refusal to recognise the decision of the Permanent Court of Arbitration (PCA) in July 2016 ("Beijing Rejects," 2016) that gives judicial definition and defines the inherent rights of such features as seabed, rocks and islands in the disputed waters of the SCS. The PCA's ruling annulled China's nine-dash claim in the SCS (Perlez, 2016).

The SCS disputes have provided a means to test China's international relations. In this issue, China has the potential to play a determining factor and to shape the outcome of the disputes as it is the biggest and most powerful country among the claimants. The disputes in the SCS also offer a reflection of future China-Indonesia relations. Despite maintaining a position of being a non-claimant, Indonesia cannot neglect the possible conflict of interest with China over the latter's ambiguous nine-dash line that overlaps the area within Indonesia's Exclusive Economic Zone (EEZ).

China has reinforced its claim in most of the areas of the SCS by employing several policies ranging from diplomacy, hostile rhetoric, force deterrence, unilateral assertion, and joint development, to the use of force. There is an apparent calculation of risks and benefits from the pattern of China's behaviour in the SCS dispute and, quite obviously, economic interest, power and nationalism do matter in China's calculations.

### **3.2.2 Domestic input: The influence of popular nationalism on China's policy**

In addition to its international conduct, domestic input is another clue to assessing China's intentions. Domestic inputs provide the basis for, and are influential on, China's foreign policy decision-making. It might be more difficult to gauge the

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<sup>57</sup> Discussing this issue does not suggest that China is necessarily an irresponsible actor since there have been scholars, especially in China, who argue that Chinese moves in the disputes are in accordance with its rights under international law. These scholars argue China's moves are defensive in nature since China reserves historical rights to the SCS. See, for example, Gao and Jia (2013) and To (1999).

level of influence that domestic inputs can exert on foreign policy-making, especially in a country like China, with a more centralised polity and the government's widespread control over public criticism, and limited freedom of expression and information flow. However, there are at least three opinion levels or stake-holders in Chinese foreign policy-making that are worth viewing: elite, sub-elite and popular. Analysis of the three levels has been central in recent years, especially because the elites have sought to earn more support from the other two levels of stakeholders for its policy legitimacy and to garner political strength within the Party.<sup>58</sup>

Fewsmith and Rosen (2001) suggest that public opinion has become more important recently in China. The Chinese government has expanded its efforts to commission opinion polls to understand better what the public thinks; as well, public opinion is relevant to the extent that the elites can mobilise broader support for any policy position. By and large, China's current collective leadership displays a reduced grasp of authority amid internal political competition. Thus, popular support is an influential domestic input into policy-making since it can strengthen a political position. In this context, besides the economic and security interests, domestic input is emboldened by nationalism.

This study defines Chinese nationalism as one of profound love and affection as well as a sense of belonging to the country and any kind of Chinese national symbols.<sup>59</sup> This definition manifests in several attitudes: first, nationalism includes a public sense of China's "rightful" place in the international arena that has emerged alongside the country's economic development and its perception of inheriting China's great civilisation of the past. This consciousness of superiority, especially in the face of East Asian countries and of China's status in the international community, has made nationalism a double-edged sword. On the one

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<sup>58</sup> Fewsmith and Rosen (2001) suggest that the elite are centred on various elements of government officials and party members with the most strategic and important decisions being made by the inner circle of core leadership in the CCP's political bureau. The elite have the most influence and are central in policy-making. The sub-elite is defined as "public intellectuals," who take part in public discourse and try to influence informed public opinion and government policy on a range of issues. The last level is popular or public opinion.

<sup>59</sup> This description shares the view of Gries (2004), who defines nationalism as any behaviour designed to restore, maintain or advance public images of national community. In this sense, he identifies nationalism as the aspect of individual's self-image that is tied to their nation, together with the value and emotional significance that are attached to membership in a national community.

hand, it is a source of a patriotic call against countries that are seen as denying China its “proper” status and, on the other, it is also critical for China’s government, which could be seen as weak if it made any compromise to foreign pressures.

Secondly, nationalism emboldens and unites Chinese people under the same identity and the spirit of the Han ethnic group transcending state borders. This includes the extent of the preservation of close bonds and relationships not only with Chinese nationals abroad, but also with the Chinese diaspora all over the world.<sup>60</sup> Nationalism is an influential factor that potentially drives China’s government to intervene in other countries’ domestic issues.

Thirdly, nationalism seeks to maintain territorial sovereignty that drives China’s government not to compromise on disputed territorial claims. This also includes popular demands for the government’s protection of Chinese fishermen plying disputed areas, regardless of whether they are potentially violating others’ territorial sovereignty or interrupting relationships with others. This nationalism has also been triggered by historical and contemporary animosities and enmities. In this sense, stemming from the narrative of the “Century of Humiliation,”<sup>61</sup> historical accounts generate a traumatic memory in Chinese minds that perceive Western countries and Japan as aggressive powers.

In this context, Chinese nationalism has enhanced China’s pursuit of its four core interests and displayed the country’s potential threat to the world. It has gained more significance in the era of China’s collective leadership which tends to exploit nationalism in an effort to garner legitimacy and political support. In contrast to a single strong leadership under Mao, the current collective authority renders the government more vulnerable to public responses and hence it is, to a limited extent, more willing to listen to popular input. Accordingly, nationalism will have a better chance to be accommodated in China’s foreign policy and it potentially generates aggressive international behaviours.

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<sup>60</sup> This manifestation conforms to Zheng (1999), who suggests that nationalism is about identity and loyalty. Identity here is associated with the uniqueness of a particular nation-state.

<sup>61</sup> The period was marked by major wars between China and Western powers and Japan such as the two Opium Wars of 1839-1842 and 1856-1860, the Sino-Japanese “Jiawu” War of 1894-1895, the Boxer Rebellion of 1900, and the War of Resistance against Japan of 1931/1937-1945. The wars led to China’s defeat and unilateral concessions by signing “unequal treaties” that forced it to allow foreign extra-territoriality and settlements in China. The period highlights China’s loss of its sovereignty (Gries, 2004).

### **3.2.3 China's intentions: Pursuing limited revisionist aims in the disguise of pro-status quo moves and making use of its relative power to shape bilateral interaction**

The previous discussions of the mixed nature of China's international behaviour and its popular nationalism help explain China's intentions in the world. Economic interests and nationalism, in the most part, shape China's international behaviour. While multilateral forums and international legal law and practices, as well as the globalised system, can shape the course of China's policy, China's international attitudes have also been driven by a desire to influence the trajectories of multilateral forums and to shape international law and practices so as they best suit China's interests. Indeed, the mixed nature of China's international behaviour resembles its aspiration to sustain and secure its four core interests.

Nevertheless, the current international order challenges China's smooth pursuit of these four interests. To maximise the attainment of the four interests, China needs an order, especially in the region, that is able to give it more space for manoeuvring. It is an order that first allows regional distribution of power to be in favour of China's interests and, secondly, reinforces its bargaining power position in any bilateral interaction with regional countries, including Indonesia. The current US-led regional order has not given it a space to optimally attain the four interests. Accordingly, in securing its four core interests, China has to pursue revisionism towards the current US-led international order and to be able to shape the terms in its bilateral interactions with Indonesia. Given its relative capabilities, China's revisionist intentions towards the region and, especially, in its bilateral relations with Indonesia, have been disguised in pro-status quo moves, which are conducted in parallel with China's calculation of its growing relative strength and capability.<sup>62</sup>

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<sup>62</sup> There are ongoing debates on whether China is really a revisionist power. Some scholars, like Mulgan (2016), even argue that China's international practices in the SCS carry some elements of a predatory state; a strong criticism that labels China as sharing similar characteristics to Russia in contemporary Europe or Nazi Germany and imperial Japan before. Yet, in different tones, most Chinese analysts argue that Chinese leaders are not revisionist in nature. Mao, Deng, Jiang, and Hu are at least as cooperative as the average world leader. Chinese leaders are not offensive realists; they are responding to the pressure of their times and not solely to aggressive cultural norms. See, for example, Bijian (2005) and Huiyun (2009).

By revisionist, this thesis does not refer to a total change and extinction of current order. Pursuing revisionist acts here means that as China understands the importance of the current US-led international order for its economic growth, it seeks to secure a more flexible order that accommodates its growth and that provides chances to optimally attain its four core interests with relative impunity. Instead of destroying the current order, in which it has enjoyed growth, revisionist China seeks to have a greater share in this order that includes the share of power and the share of influence between the US and China. In contrast to the current dynamics, in which the US' dominant power has created many restrictions, China expects the new dynamics will create more space for China to manoeuvre.

Given the nature of the external environment and in anticipation of a counter response, China has disguised its revisionist intentions by pro-status quo moves. In this respect, the moves emphasise the notion of China's peaceful rise in its international conduct. Indeed, China has combined mixed policies that prioritise economic growth by intertwining in the global economy, extending ostensible generosity through aid and assistance, avoiding direct conflicts with international pressure without making large concessions and calculating the power balance in the region.

China's revisionist intentions under the disguise of pro-status quo moves is similar to what Holslag (2014) summarises as a "smart revisionist." It is "smart" owing to China's assiduous intentions towards achieving the four interests. It is also "smart" because, despite being obvious that there is a discrepancy between what it has promised for regional harmony and what it has done to reinforce revisionist ambitions, China has been able to continue the moves without raising a wide range of regional challenges. In this regard, China's ability to avoid regional challenges has been due to its success in displaying a mixed posture of international behaviour.

In relation to its bilateral interaction with Indonesia, especially over the issue of the disputed Natuna waters, China seeks to make use of its relative power to shape the interaction. However, the calculation of interest and regional dynamics has been a restricting factor. China's intention has been obviously aimed at securing its claims. Nevertheless, in the process, it cannot deny the importance of other core interests: promoting economic interests and maintaining peace and security. This dynamic requires China to sustain regional peace and

harmony and, in turn, it must be able to avoid its assertive moves against Indonesia from interrupting these other interests.

In sum, China's intentions are obviously aimed at securing the four core interests. It has the intention to reform the status quo order by carefully crafting a policy which is at best not going to discomfort others. In the process, especially in promoting economic interests and maintaining peace and security, China needs the others' cooperation. This dynamic requires China to sustain regional peace and harmony. In line with RSCT, China realises that any regional dynamics will not leave China's interests unaffected. China's policy does not develop in isolation from its understanding of external dynamics. In this context, as discussed in Chapter Two, RSCT emphasises that great power is not automatically translated into hostile intentions and behaviour because the effects of its behaviour within the realm of regional interdependence and interconnectedness will also potentially reverberate on the perpetrating state. Accordingly, China has the potential to create opportunities, as well as threats for many in the region, including Indonesia.

### **3.3. China's Rise: The Impacts**

The previous discussion implies three things: (i) The agenda of economic development requires China to have a shared interest with Indonesia to promote regional peace and security; (ii) China's military and economic rise, along with its growing interests and intentions of becoming revisionist in a limited way in the US-led regional order, reflect China's ambition for influence and dominance in the region, its economic aggressiveness, as well as its rivalry with the US; and (iii), China's aggregate power and nationalism enhance its assertiveness in disputed claims in the South China Sea. These three things shape the impact of China's rise on Indonesia. The first two highlight China's potential as a source of opportunity and threat for Indonesia, and the third highlights China's threat in the Natuna waters.

#### **3.3.1 China's rise: A source of Indonesia's opportunities and threats**

The first two things referred to above suggest that China and Indonesia will share a common interest in promoting regional peace and security. The economic development of the two countries is highly dependent on regional stability and

security. In addition, in view of Indonesia's traumatic experience and vulnerability from depending on the West (for example, for weapons, economic and financial aid and technical cooperation), China's rise offers opportunities for Indonesia. The positive impact of China's rise for Indonesia can be seen in the following ways: first, China is a source for Indonesia's military; secondly, China can assist Indonesia's economic development; and thirdly, it is a potential partner that offers Indonesia an opportunity to adopt a non-military balancing strategy against the US and other major powers. Nevertheless, these three positive impacts also come with the alarming threat of negative consequences.

Promoting the safety and security of sea lines of communication has become Indonesia and China's interest as most of their trade and economy depend on maritime transportation. In addition, Chinese investments and export markets overseas have also relied on the stability and security of hosting countries. In fact, it is in China's interest to promote peace and stability so as to defy any risks jeopardising its economic interests. This shared interest between Indonesia and China increases their significance for each other.<sup>63</sup>

Moreover, it is in China's interest to project its rising power and influence, especially in its own backyard – East Asia. President Xi Jinping, speaking to Indonesian lawmakers in Jakarta in 2013, expounded on Beijing's vision of further promoting bilateral and China-ASEAN relations as well as China's concept of peaceful development.<sup>64</sup> This is closely related to China's interest in

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<sup>63</sup> Sokolsky et al. (2000) argues that China has a strong economic incentive to maintain freedom of navigation for its own ship-borne commerce through South East Asian sea-lanes. Over US\$ 1 trillion in trade passes through these sea-lanes each year. China's share of this trade, including trade that transits Hong Kong, is close to US\$ 100 billion a year – or roughly 16 percent of China's GDP – and growing at an annual rate of over 16 percent. Moreover, Chinese dependence on these sea-lanes grew, especially for imported oil: by the year 2015, according to several forecasts, China's demand for energy increased 160 percent from 2000 and Chinese consumption of Persian Gulf and African oil, which would pass through South East Asian sea-lanes, was to triple. Thus, a serious and prolonged blockade of South East Asian sea-lanes would inflict damage on the Chinese economy by cutting off China's trade.

<sup>64</sup> President Xi Jinping on October 3, 2013 said, "China attaches its great importance to Indonesia's role in ASEAN and looks forward to working together with Indonesia and other ASEAN countries to make the two sides share the same prosperity, make friends and good neighbours. We should work together to build China-ASEAN relationship and deliver greater benefit to the region and the people. For this purpose, we have to work on the following areas: (i) we should build up trust between each other... Confident[ce] and support on each other are major issues of common concern. China is ready to sign the treaty of good neighbourhood, friendship and cooperation. China supports ASEAN's greater role in the international community; (ii) we should be committed to win-win cooperation on the basis of equality and mutual benefit" (James, 2013).



maintaining its economic dominance and political influence. At the same time, current developments also see the US' intensified reengagement policy in Asia. Consequently, influence and power rivalries between the two are inevitable. As the biggest member in ASEAN, Indonesia also plays a greater role and influence. Therefore, securing a mutual partnership with Indonesia will help China exert political influences and economic dominance in ASEAN.

Furthermore, China also realises that the US has an interest in uniting many countries in Asia, including Indonesia, under its umbrella, which could potentially contain China's interests in the region. It is therefore in the interest of China not to be "left out of the club" and, in turn, it needs to also mutually engage with Indonesia, an influential country in ASEAN, the biggest economy in South East Asia, a member of the G-20 and hosting important sea lines of communication – the straits of Malacca, Sunda, and Lombok.

Indonesia's significance has been obvious from China's signing of the comprehensive partnership with Indonesia to promote various levels of cooperation, including in the economic, military, security and socio-cultural areas. Until December 2014, Indonesia was the only country with which China had defence cooperation (Holslag, 2014). The arrangement of defence and security cooperation has been made following agreement on in military purchases, joint military training, and intelligence information exchanges. Equally important, China's rise offers Indonesia more room for manoeuvrability in balancing Indonesia's dependence on other powers militarily and economically.

Description	2010	2011	2012	2013	2014	2015
<b>Export</b>	15,692,611.1	22,941,004.9	21,659,502.7	22,601,487.2	17,606,219.6	15,046,433.8
<b>Import</b>	20,424,218.2	26,212,187.4	29,385,794.5	29,849,464.8	30,624,335.5	29,410,887.1
<b>Total</b>	36,116,829.3	49,153,192.3	51,045,297.1	52,450,952.0	48,230,555.1	44,457,320.9
<b>Trade Balance</b>	- 4,731,607.1	- 3,271,182.4	- 7,726,291.8	- 7,247,977.5	- 13,018,115.9	-14,364,453.4
<b>Total with the world</b>	293,442,000.0	380,932,200.0	381,709,700.0	369,180,500.0	354,471,300.0	293,061,900.0
<b>Indonesia's Trade Balance with the World</b>	22,115,800.0	26,061,100.0	- 1,669,200.0	- 4,076,900.0	- 2,198,800.0	7,670,700.0

*Table 3.6 Indonesia's trade balance with China / value: US\$ thousand  
(Source: The Indonesian Ministry of Trade, 2016a and the Indonesian Ministry of Trade, 2016b).*

Nonetheless, the sustainability of these positive consequences cannot be taken for granted. Economically, Indonesia has engaged closely with China, especially in terms of growing trade relations and investment cooperation. The greater degree of Indonesia's dependence on China's economy might cause

Indonesia to be vulnerable to China's influence. For some, currently there is little evidence that China is using its economy for strategic influence on Indonesia or, if China is intending to, the likelihood of its success might not be easy because Indonesia's resistance will be higher given the country's determination to pursue domestic strategic autonomy.<sup>65</sup> However, it does not remove the possibility that China might exploit its economic relations as a foreign policy tool to influence Indonesia's decisions.

The ASEAN-China Free Trade Agreement (ACFTA) is a cause for concern. Several Indonesian pundits have seen the ACFTA as an exclusive elites' decision disregarding the interest of the majority of the Indonesian business community. The deal, which was signed in 2002, came into effect in the form of the incremental elimination of tariffs by the signatories. For Indonesia, its implementation began in July 2005, and it required reductions of up to 90 percent of Indonesia's trade tariffs in goods by 2010. Pambudi and Chandra (2006) contend that the agreement has been catastrophic as it is an instrument that facilitates the strong eating the weak. Despite the Early Harvest Program (EHP) preceding the implementation of the ACFTA,<sup>66</sup> they argue that Indonesia's domestic economy and industry are not strong enough to enter into free competition with China's. Highlighting that China has relatively more strategic and competitive advantages, including its bigger amount of FDI inflow, cheaper labour cost, stronger culture of entrepreneurship and better investment infrastructure,<sup>67</sup> Pambudi and Chandra (2006) conclude that China gets more benefits out of the agreement. This could cause vulnerable Indonesian micro and small enterprises to go bankrupt; an obvious challenge that is also admitted by the Indonesian government.<sup>68</sup>

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<sup>65</sup> See, for example, Lee (2013).

<sup>66</sup> The EHP is a free trade arrangement under the framework of ACFTA. It was designed to accelerate the implementation of the ACFTA by allowing the ASEAN countries to enjoy early access to China's reduction of tariffs on some products including livestock, meat, fish, dairy products, live plants, vegetables, fruits and nuts prior to the establishment of the ACFTA (Cheng, 2004).

<sup>67</sup> It is clear that the negative side effects of the ACFTA are not unique to Indonesia in the region. Indeed, the ACFTA has its winners and losers. In this respect, the ACFTA has also revealed the same issues in some other ASEAN countries such as: trade deficits, pressure felt by some ASEAN industries, market size constrained by income, and competition from other FTAs (Mu & Siam-Heng, 2011).

<sup>68</sup> Personal Communication [Interview with a staff member of the Indonesian Ministry of Trade], June 2, 2014

China has certainly become a significant trading partner for Indonesia. The bilateral trade volume between Indonesia and China grew from US\$ 14.9 billion in 2006, to US\$ 25.5 billion in 2009, US\$ 36.1 billion in 2010, US\$ 51.1 billion in 2012 and US\$ 52.4 billion in 2013. Yet, due to a relatively decelerating growth in China and a global economic downturn, the Indonesia-China total bilateral trade was lower accounting for US\$ 48.2 billion in 2014 and US\$ 44.5 billion in 2015 (The Indonesian Ministry of Trade, 2016a). Over the last twenty years, the growing Indonesia-China trading partnership has also been shown in the increase of its share in Indonesia's total world trade. In 1990, trade with China accounted for a 3.1% share of Indonesia's total trade with the world, rising to 5% in 2000, 12.3% in 2010, 13.7% in 2012, 14% in 2014 and 15.2% in 2015 (The Indonesian Ministry of Trade, 2016a and 2016b). However, as Table 3.6 shows, despite the increase in the share and the total bilateral trade volume, the balance of trade between China and Indonesia has changed in China's favour. Over the last decade, Indonesia has suffered a growing annual trade deficit with China.

Table 3.6 suggests that Indonesia's economic growth, especially companies supported by export industries, will find the trend of growing imports from China to be a threat. Furthermore, evidence that cheap Chinese manufacturing components and manufactured goods have flooded the Indonesian market has reaffirmed this threat, especially to Indonesian small and micro enterprises which suffer not only from a lack of capital but also from insufficient skills, inadequate promotion and limited networks. Lee (2013) indicates that these unlucky industries include some Indonesian producers of toys, furniture and textiles. Nasution (2013) and Hadi (2012) worry that this tendency will result in the loss of jobs to Chinese firms.

In addition, despite little evidence of the effectiveness of China's exploiting its economic leverage for influence in South East Asia (Shambaugh, 2013; Goh, 2014), there is growing evidence that China is currently using its economic and strategic leverage to shape, either by coercing or persuading, others' decisions in the region. Some observations have confirmed there is a growing tendency among China's loan recipients and trade partners, particularly in Africa and smaller countries in South East Asia, to converge their positions and interests in China's favour, which were different from their traditional and previous positions (Kreps and Flores-Macías, 2013; Pheakdey, 2013). Some

examples include: China's pressure and ultimatum to cancel various bilateral cooperation with Japan following the detaining of the Chinese captain in the 2010 trawler accident in the East China Sea ("Japan-China Row," 2010); China imposing strict sanitary and phytosanitary restrictions on Philippine bananas (Regalado, 2012); and Chinese travel agencies suspending travel to the Philippines after the Scarborough Shoal standoff in 2012 ("China Travel Agencies," 2012). In these examples, Chinese pressures through imposing the threats of sanctions, to a large extent, shaped the policy of the targeted countries, such as Japan which then released the detained Chinese captain.

Indonesia might encounter China's exploiting its economic and commercial cooperation to put pressures on Indonesia's position over the issue of overlapping claims in the Natuna waters. As were the cases of Japan and the Philippines, Indonesia has thus to anticipate the potential threats of China's blocking Indonesia's export of some main commodities. China has been a primary export destination for such Indonesian commodities as textile (US\$ 614.3 million or 5.6% share of the Indonesian export market), rubber products (US\$ 803 million or 13.2%), and forest products (US\$ 1.89 billion or 23.9 %) (Indonesian Ministry of Trade, 2015a).

In addition, China's Maritime Silk Road is another potential tool for influencing others.<sup>69</sup> Trade is not the only Chinese foreign policy tool to reinforce its territorial claims (as it is dealing with Manila and Vietnam). The Maritime Silk Road that brings in financial capital for Indonesia's infrastructural development is a potential tool for gaining influence and control. This becomes more problematic for Indonesia, should it be highly dependent on China's economic fortunes.

### **3.3.2 The Threat of China's bullying: Indonesia-China interaction in the Natuna waters of the SCS**

China's intention to shape the bilateral interaction, owing to its sheer size of military power and its interest in restoring territorial sovereignty in the SCS, has the potential to lead China to become a threat to Indonesia. China has the potential to bully Indonesia in the southern part of the SCS (or the north area of the Natuna's EEZ), and its aggregate military power, tailored with its economic and

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<sup>69</sup> For other analysis on China's potential economic coercion in the SCS dispute, see Ravindran (2012).

commercial magnitudes will become strategic tools for enhancing China's pressures against Indonesia.

As one of China's core interests – reinforcing its territorial claims – the SCS dispute has become an important issue for China's government. For China, the SCS dispute relates to various aspects, ranging from serving national interests and preserving sovereignty to enhancing its nationalism. The claims, which are highlighted by China's nine-dash line, include and overlap with the Exclusive Economic Zone (EEZ) of Indonesia's Natuna Islands. The Natuna archipelago is located in the southern part of China's nine-dash claim in the SCS. Given the common nature of the disputes in all of the SCS, and based on the pattern of China's international behaviour previously discussed, this chapter argues that China's treatment of the Natuna waters will be similar to its conduct in other disputed parts of the SCS (like the ones in the Spratly and Paracel Islands with Vietnam and the Philippines). While presently the focus of international discussion is still on the disputes in the Spratly and Paracels, sooner or later, the Natuna waters dispute between China and Indonesia will emerge.



Figure 3.7 Sovereignty Claim in the South China Sea (adapted from Scott, 2012)

Indeed, the Natuna archipelago has already been the subject of an Indonesia-China tug-of-war. In this area, Indonesia has developed natural gas production in partnership with several international oil companies. At the same

time, China has reinforced its claim in most areas of the SCS by employing several policies ranging from diplomacy, hostile rhetoric, force deterrence, unilateral assertion, and joint development, to the use of force. This pattern resembles what Cronin et al. (2014) summarises as Chinese “tailored coercion.” It involves a pattern of “dialling up and dialling down coercive diplomacy and blending it with diplomacy, trade and investment, and other forms of engagement” (p. 5). The tailored coercion allows China flexibility to pressure targeted nations and isolate them politically for non-compliance, or grant rewards for obedience.

The SCS encompasses the main sea lines of communication and transportation that connect East Asia to the rest of the world. The area encompasses major sea lanes between the Indian Ocean and the Pacific Ocean. Figure 3.7 shows the disputed area in the SCS involves the overlapping claims of territorial sovereignty and maritime rights of several parties, including Brunei, China, Malaysia, the Philippines, Vietnam and Taiwan.

In addition, losing or making a compromise in its positions toward the claims in the SCS has the potential to arouse Chinese nationalist sentiment. For some, this is an issue of China’s national identity. As Forsberg (1996) argues, national identity is a factor that provides a basis of territorial integrity and sovereignty. Similarly, Garper (1992) also contends that the recovery of the SCS area provides Chinese leaders a means to erase a century of national humiliation of colonialism and “unjust treaties” that China was subject to. The issue is so sensitive that any mishandling only provides an opportunity for domestic political competitors to undermine the ruling elites in Beijing.

China’s increasing exertion in the disputed sea underlines this domestic sensitivity. Beijing officials admit that China has undisputed territorial claims in the area, and this is a delicate issue that no leader in Beijing can afford to lose.<sup>70</sup> The PRC’s position is based on assertions of the SCS as an inalienable part of Chinese territory since ancient times – an area lost to British and French colonialism in the 19th century during the so-called “Century of Humiliation,” but to be recovered in full (PRC’s Ministry of Foreign Affairs, 2000). Therefore, a

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<sup>70</sup> Some officials figured out that the Sea was one of China’s “core interests” (*hexin liyi*), alongside Taiwan and Tibet, see Jianhua (2010) and Jacobs (2010).

hard approach to the dispute could underline a message of patriotic unity while serving as an antidote to domestic problems (Mogato, 2012).

In terms of power calculation, China's moves in the SCS have been based on its view of relative power in regard to others. This is particularly obvious in China's approach of pursuing strategic ambiguity and bilateral preference in reaching a resolution to the SCS disputes. With its rising national comprehensive power and capability, China is currently more confident in world affairs. When it perceives that it has developed a stronger capability, the ambiguity tends to disappear and its approach becomes clearer.

China's calculation of relative power is indeed evident in its consistent gradual steps. First, China's strategic ambiguity is apparent in the mystery of its nine-dash line or U-shaped line on the map that was published in 1949 (The map was initially promulgated in 1947 by the Republic of China with an eleven dash-line). Initially, China failed to clearly define the meaning of the nine-dash line. In this regard, it was not clear whether the nine-dash line is a border or delimitation line, with all lands and waters within it being perceived as China's territory, or whether the dash-line means that China only claims islands, reefs and rocks therein with the special extended right of territorial waters attaching to the lands.

The ambiguity seemingly started to become clear in China's gradual actions. In this respect, China's actions seem to gradually emphasise its territorial claims not only on lands, rocks and reefs, but including all the waters within the nine-dash line. Despite its previous repeated claims, which did not define the nine-dash line, the Hainan People's Congress issued new regulations on coastal border security. The Hainan provincial legislature issued a directive in November 2012 requiring foreign fishermen to obtain permission before plying their activities within some two-thirds of the sea ("Hainan Implementation," 2013). The Hainan legislature actually reemphasises the same message of the Fisheries Law of the People's Republic of China.<sup>71</sup> The issue becomes complex as Beijing did not deny media reports announcing that the sea areas which are controlled by Hainan under the new legislature cover 2,000,000 square kilometres, more than half of the SCS ("Hainan," 2013). This means covering all the area within the

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<sup>71</sup> For more information on China's fisheries law, see "Fisheries Law of the People's Republic of China" (2011).

nine-dash line. Departing from its previous moves, which tended to be ambiguous, the current declaration of the new Hainan fishing zone appears to be designed to gradually and clearly force other states to accept China's extension of maritime control within the nine-dash line.

In addition to the inclusion of the nine-dash area of SCS in its new passport ("China Passports," 2012), China's current moves to include all territories within the nine-dash line are also obvious from the operational area of China's maritime paramilitary vessels (Erickson and Kennedy, 2015; Kraska, 2015).<sup>72</sup> The vessels have been found patrolling into the far-south of the sea which has led them several times to clash with ships from Indonesia's Ministry of Marine Affairs and Fisheries, which were also patrolling in Indonesia's claim just north of Indonesia's Natuna Island.<sup>73</sup>

The incremental assertion of control that China has shown over decades, from an ambiguity in talks into more clarity in actions recently, suggests that it is pursuing a strategy of promoting its interests based on a calculation of power and risks. Indeed, the ambiguity at that time was a sign of China's self-restraint, of not unnerving other claimants, as it was not ready to meet potential pressures or disruptive measures by others. China's current actions have demonstrated a confidence in its capability to defend what it perceives as undisputed sovereign territory.

Equally important, "China's divide and rule" policy in ASEAN is obvious from its preference of having bilateral talks to multilateral frameworks in negotiating the issue of SCS dispute settlement. In contrast to the position of ASEAN claimant states, China has delayed the conclusion of any dispute resolution through regional frameworks on the premise that "the conditions are not ripe to bring about a thorough solution to territorial dispute" (PRC's Ministry of Foreign Affairs, n.d.; para. 5). China does not see that the multilateral framework of ASEAN is appropriate to negotiate a dispute resolution in the SCS.

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<sup>72</sup> Kraska (2015) argues that China operates a network of civilian fishing vessels "organised into a maritime militia with paramilitary roles in peacetime and during armed conflict" (para. 1). The maritime militia helps provide the PLAN with an inexpensive force multiplier. According to Kraska, the militia's fishing vessels are also equipped with communications systems and radar that supplement the PLAN force structure and enhance interoperability with other agencies, such as the China Coast Guard. In addition, many boats are equipped with satellite navigation and "can track and relay vessel positions, and gather and report maritime intelligence" (para 7).

<sup>73</sup> Personal communication [interview with a staff member of Indonesia's Ministry of Fishery and Marine Affairs], April 22, 2014



Whilst the nature of the disputes involves several claimant countries, China's preference for bilateral talks in discussing the disputes rather than through multilateral or arbitral adjudication has impaired the chance for any settlement. By bilateral talks, China aims to exploit the situation for its favour by strengthening its position through the tactic of "divide and rule." Where it has a relatively stronger position, bilateral talks will give China a greater advantage when dealing with a smaller claimant. In most circumstances, China obviously avoids the internationalisation of the dispute, but should it be forced to do so, the maximum it can agree is discussing the issue within the framework of ASEAN. Equally important, despite having ratified the UNCLOS, under Article 298, China has declared it will not accept any international court or arbitration in disputes over sea delimitation, territorial disputes, and military activities ("China's Position," 2014).

Several negotiations which were held to persuade China to agree on finding a resolution through regional multilateral frameworks only led to China's agreement to sign the Declaration of Conduct (DoC) of the parties in 2002. With the purpose of managing the dispute only, the DoC did not aim to set a final resolution. In fact, the DoC is just an intention on paper without a powerful binding mechanism. The region expected the DoC to be upgraded into a more relevant mechanism. But, after a decade of waiting, ASEAN was unable to encourage the disputing parties, particularly China, to rush for a Code of Conduct to help them manage dispute. It was the guidelines – and not the Code of Conduct itself – that were concluded in 2012. The guidelines remain weak and unable to produce a binding mechanism for conflict management. China's reluctance to bring the issue of the SCS to multilateral negotiations is a reason that explains the complex nature of finding any mechanism for both conflict management and final solutions to the SCS dispute.

China's reluctance to engage in dispute resolution through multilateral fora has been augmented by the objective of consolidating its claim. As Fravel (2011) argues, since the mid-1990s, China's strategy of delaying the resolution of the dispute is aimed at consolidating its claims, especially to maritime rights or jurisdiction over these waters, and to deter others from strengthening their own claims at China's expense. Since the mid-2000s, China's efforts to consolidate its claim and deter others have increased through diplomatic and military means.

China's consolidation in this respect has demonstrated its mixed array of approaches between diplomacy and increased coercion.

Recent incidents have highlighted a trend of increasing China's assertiveness, especially in its efforts to change the status quo in the SCS. China has bullied its neighbours by relying on non-military vessels backed up by naval power. China is using its rapidly expanding coastguard to assert its expansive sovereignty claims by harassing non-Chinese fishermen, oil companies, and military vessels that pass through contested waters in the SCS (Kraska, 2015).<sup>74</sup> In addition, China's development of a military base on an islet of the disputed SCS (Wong, 2015) has added to a long list of China's moves to change the status quo in the SCS in its favour. Last, but not least, China's refusal to recognise the Permanent Court of Arbitration's decision in July 2016 helps display China's hostile assertiveness.

Indeed, while China's diplomacy focuses on prolonging any chance of compromise and avoiding territorial concession, it has also been developing its power. Storey (2011) describes China's strategy as being characterised as "talk and take". While it continues the talking through diplomacy, China seeks to change the facts on the ground in its favour by coercive actions. Whilst the incidents happened in unsettled disputed territories involving China with other claimants, China's growing power has led the dynamics on the ground to shift in its favour. This can be seen from several incidents in the SCS. Vietnam and China have clashed militarily several times in the past 30 years over the Paracel Islands.<sup>75</sup> Similarly, in 2012, the Chinese bullied the Philippines over the Scarborough Shoal.<sup>76</sup>

For China, their activities in the area are legal and should not be interrupted by others. In the words of Chinese Foreign Ministry spokesman, Liu Weimin, Chinese fishermen are "operating normally in the lagoon free of

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<sup>74</sup> This includes the 2014 incident when China started an oil rig operation backed up by its military vessels in a disputed area with Vietnam ("US Concern Over," 2014). Some news on China's aggressive moves in this sea against other claimants can be seen in, for example: Reuters ("China Defies US," 2014; "China Says," 2014), AFP ("Beijing Sends More," 2014) and the China Post (Bodeen, 2014).

<sup>75</sup> Chinese ships fired on two Vietnamese fishing boats in 2005, killing nine people.

<sup>76</sup> The Scarborough Shoal is a group of rocks and reefs located 123 miles from Subic Bay in the Philippines, well within its EEZ, and hundreds of miles from China's Hainan Island (although inside China's notorious nine-dashed line). Both countries claim sovereignty over the Scarborough Shoal.

disturbance and Chinese vessels are continuing their management and service for the Chinese fishing boats and fishermen in waters off Huangyan Island” (The Embassy of the PRC in New Zealand, 2012; para. 6).

Similar incidents are apparent in the Natuna waters.<sup>77</sup> China’s maritime law enforcement agencies have several times bullied ships of the Indonesian Ministry of Marine Affairs and Fisheries during their encounters in the southernmost part of the nine-dash line claim. Following several incidents in 2013,<sup>78</sup> the latest one involving China’s coast guard and a ship of the Indonesian Ministry of Marine Affairs and Fisheries happened in March 2016. When patrolling the northern part of Natuna’s EEZ, Indonesian ships arrested Chinese fishermen who allegedly entered Indonesian territorial waters. However, the Indonesian government’s ships confronted bigger and more modern ships of Chinese maritime law enforcement agencies, which came to help and demand the detained Chinese fishermen and their ship be freed. The bigger Chinese ships were able to intercept Indonesian ships and set the Chinese vessel free (Ferdinan, 2016). Some Indonesian officials admit that Chinese violations in Indonesia’s territorial waters have not been addressed sufficiently owing to Indonesia’s relatively lower capability to face Chinese vessels.<sup>79</sup>

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<sup>77</sup> An Indonesian official revealed that Indonesia claims the Natuna Island in the southern part of the SCS as its territory. The EEZ of this island is overlapping with China’s ambiguous nine-dash line. Assured of its neutral position, Indonesia, through Prof. Hasjim Djalal, initiated informal workshops on Managing Potential Conflicts in the SCS. Indonesia further confirmed its rejection of China’s nine-dash line through a Note Verbale to the UN in July 1990, by stating that the nine-dashed line map of China lacks international basis and therefore the line’s purpose is upsetting the 1982 United Nations Convention on the Law of the Sea (UNCLOS) (Personal Communication [Interview with a staff member of Indonesian Ministry of Foreign Affairs], July 3, 2014).

<sup>78</sup> The story was further explored during the interviews with officials of Indonesia’s Ministry of Marine Affairs and Fisheries. Indeed, the encounters between the ships of Indonesian Ministry and Chinese maritime law enforcement agencies have occurred several times since the 2000s, where the compromises were always made by the Indonesian side due to its lack of capability to reinforce control on the sea (Personal Communication [Interview with a staff member of the Ministry of Marine Affairs and Fisheries], July 11 and August 21, 2014).

<sup>79</sup> There has been, however, an increase in the military operation of Indonesia’s Armed Forces in the area (Fadli, 2012). The Indonesian government has also regularly conducted joint-international military exercises with the participation of neighbours’ vessels, including China. However, as the Indonesian Minister of Marine Affairs and Fisheries, Susi Pudjiastuti admits, Indonesia is lacking vessels to regularly patrol all of its territories, including in the Natuna area. Indeed, according to the Minister, the Indonesian Navy only has 70 patrolling ships. From this number, only ten ships are able to sail. For maintenance purposes, the Navy only uses three ships daily. Similarly, the Indonesian National Police encounters a lack of resources for patrolling territorial sea. Of 490 police patrol ships, only half of the ships are able to operate and only for two hours a day. Even worse, due to a lack of financial support, the ships only operate ten days in a month (Kuwado, 2014). In fact, this prevents optimal efforts to discourage others from bullying in Indonesian territories, especially by China’s stronger vessels.

Calculation of power does matter in shaping China's behaviour in the SCS disputes. China's calculation of the power of other claimants, which is relatively smaller, might boost China's confidence and enhance its presence in the disputed areas. The increase in its naval force, both military and paramilitary, supports this development. Whilst prolonging dispute settlement, China keeps building up its forces to support its claims and challenge those of the other claimants. In addition, PLAN is developing maritime law enforcement agencies. Raine and Le Miere (2013) argue that while the PLAN appears to take primacy in defending contested territory where China already has control, the agencies take a role in asserting China's maritime rights stemming from territorial claims made, but which are not necessarily fully controlled. In this respect, the agencies include the China Maritime Police, the Maritime Safety Administration, the Fisheries Law Enforcement Command, the General Administration of Customs and China Marine Surveillance (CMS). They are the front line actors in China's enforcement of sovereignty and maritime claims.<sup>80</sup> In particular, the vessels of the Fisheries Law Enforcement Command and China Marine Surveillance are regularly to be found patrolling the SCS or deployed to support Chinese fishermen in the region. China's deployment of the non-military agencies in patrolling the disputed area has been China's strategy for increasing its presence in the disputed sea.<sup>81</sup>

In the end, China's rising power and growing interest in restoring its territorial integrity amid nationalist sentiment will only lead China to enhance its presence in the SCS. In doing so, China has the potential to present a threat to others. In this respect, China has the potential to bully Indonesia, most obviously in the overlapping claims in the Natuna waters. China's aggregate military power, tailored with its economic and commercial magnitudes, will become strategic tools for enhancing China's position and pressures against Indonesia.

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<sup>80</sup> For a fuller description of China's marine paramilitary agencies, see Le Miere (2010-2011).

<sup>81</sup> Raine and Le Miere (2013) argue that the use of paramilitaries, rather than the PLAN, in enforcing sovereignty and confronting neighbours' fishing vessels carries some benefits for China: (i) Maritime paramilitary vessels may frighten rivals with a less direct and harsh confrontational approach than military vessels (despite the fact that the PLAN stands so obviously behind these paramilitary vessels); (ii) Maritime paramilitary activities are generally less escalatory and are able to avoid a militarisation of the area, whilst also having the PLAN back-up as the next option; (iii) there is no interpretation of UNCLOS that would suggest a restriction to the activities of civilian vessels, even state-owned non-military vessels, in the 200nm EEZ; and (iv) the use of paramilitaries can send a hidden message that the patrolled areas are already in China's own waters.

*China's bullying in the Natuna waters: "Likely" security and strategic threats with a "minor" consequence*

As the discussions above imply, the likelihood of opportunities and threats offered by China exist. Its stronger forces have boosted China's ability to "bully" weaker countries, including Indonesia. The term "bully" here suggests that the threat is not coming out of the danger of China's possible invasion of Indonesia. However, the danger lies with China's encroachment into Indonesia's claims on the waters of the Natuna Island. China's increasing power allows it to outmanoeuvre and circumscribe Indonesia in this area. While China's threat does not present a major challenge to Indonesia's survival, in terms of the interest of protecting sovereignty and territorial integrity, the compromising of Indonesia's position in the Natuna waters will not be Indonesia's ideal choice.

The threat in the Natuna area is potentially manageable, though, and minor under several conditions. First, if Indonesia is able to cooperate with all like-minded countries in the region supported by great powers, it is potentially able to deter China as the risk of China's use of force is greater than the benefit. This should be done in a way that does not explicitly contain China's interests. Then, the chance of reducing China's threat will be there. The region must convince China that the risk is not only in terms of military and strategic dimensions, but also economic turbulence. In addition, the risk is also visible in terms of international and regional isolation against China. In this regard, regional capability led by ASEAN with its enhanced power and influence – supported by extra regional bigger players – should be able to push China to perceive that regional isolation might only be at the expense of China's interests, thereby encouraging it to participate in the promotion of regional peace and discouraging it from violating and breaching peace and stability. China's current economic regional plans such as the FTAAP and Maritime Silk Roads should be welcomed by the region. The plans will potentially develop mutual relationships and lead China to become closely intertwined and enmeshed with the region. However, this regional effort should be taken into account with the leading role of ASEAN and accommodating the presence of the US and other regional powers. To ensure ASEAN is able to play such a leading role, Indonesia should pursue an equilibrium policy towards ASEAN (as will be discussed in Chapter 9).

Secondly, current Indonesia-China relations are improving to the extent that both countries have signed an agreement to develop a comprehensive partnership. Despite the historical legacy and reluctance amongst some elements of Indonesia's officials because of China's alleged involvement in the 1960s communist rebellion in Indonesia, current political relations between Indonesia and China are not filled with tensions, hatred and suspicion. Furthermore, China's economy, which is experiencing slower growth, will only stress its need for a peaceful and stable international environment as well as securing all economic opportunities, especially with Indonesia. Indeed, the current Indonesia-China relationship has seen greater economic, cultural and social cooperation and both countries acknowledge gaining benefits from it. Nevertheless, to prevent the relations from undermining Indonesia's interests, Indonesia needs to pursue an equilibrium policy towards China (to be discussed in Chapter 7).

Therefore, it can be argued that, on the one hand, the threat from China in the Natuna waters is likely, especially in the form of its bullying. This is due to the nature of the SCS involving various factors of the balance of threat theory. On the other hand, the consequences of the threat in this area are likely to be minor, but there is potential for a breakdown of bilateral relations that are likely with no major disruptive effects. With all of the positive consequences in place, along with proper equilibrium policies pursued by Indonesia, both countries have the opportunity to manage the threat.

### **3.4 Conclusion**

This chapter has discussed the impact of China's rise on Indonesia's interests. It shows that China has factors that accommodate Indonesia's interests, as well as those that can threaten them. On the one hand, China's rise has presented Indonesia with alternative resources as a partner in economic, military and strategic cooperation. In fact, it is not only as a resource for investment and economic partner in trade and investment, but China's military development also provides an alternative for Indonesia's agenda to promote its military objectives.

On the other hand, the rationale of the four factors in the theory of the balance of threat suggests that having rising national comprehensive power drives China to exercise power dominance, gain more influence and fight to secure its interests more aggressively. Consequently, in pursuit of its interests, which are

supported by its rising national comprehensive power, China presents a likely threat to Indonesia.

Economic dependence might reveal Indonesia's vulnerability to China's pressure and influence. In addition, Indonesia's territory, especially in the northern part of the Natuna waters which are important sea lines of communication, has been a concern of this threat. This requires Indonesia to carefully manage its relations with China and the world so as to be able to use any possible means to render the threat manageable.

Several factors have the potential to minimise the threat from China in the Natunas. Tensions might happen with some strains in bilateral relations, but the course of a secure regional order will persist as no conflict or disruptive effects will escalate. In this respect, the potential escalation of the threat can be contained and controlled with a set of conditions – exploiting economic cooperation as well as regional unity supported by great powers and inclusively embracing China. It is apparent that Indonesia alone cannot manage and control it. Rather, it needs the active participation and cooperation of others in the region, including the presence of the US and other regional powers. Also, the threat can be seen as minor and manageable owing to the growing bilateral relationship between Indonesia and China, with more focus on promoting economic development and other acts of cooperation that discourage any hostilities and the use of force potentially disrupting the interests of both countries.

## **Chapter 4: The US Re-engagement in the Region amid the Rise of China: The Impact on Indonesia**

This chapter analyses US policy in the region amid China's rise. While the 'pivot' or 'rebalance' policy is not only about China, it is also obvious that much of the thinking behind it relates to China. This chapter therefore discusses how this policy has affected US bilateral relations with China in the region and how their interactions in turn affect Indonesia's interests. This chapter describes first the dynamics of the US pivot or rebalance to Asia and, at the same time, it elaborates US regional interests in security, politics and economics. By analysing the interests of the US and relating it to China's interests, this chapter assesses the US-China interaction that is dominated by the element of competition and cooperation. In the remaining part, the chapter then describes some possible impacts of US-China interactions on Indonesia both positively and negatively. It is argued that amid the dynamics of China's rise, on the one hand, the US' rebalance potentially enhances Indonesia's regional hedging strategy and improves Indonesia's chance to have a minimalist strategy for maximal gains and defying a total loss and, on the other, the US' rebalance policy enhances military competition with China that contributes to the escalation of military tensions in the SCS harming Indonesia's security and economic interests. Furthermore, Indonesia's minimalist strategy in the aftermath of the Obama administration will require further efforts by Indonesia to cement and ensure US commitment in supporting the equilibrium maintenance strategy.

### **4.1 The US Pivot (Rebalance) and Its Interests in Asia**

The US policy in Asia finds its reflection in what is called the US 'pivot' or 'rebalance' to Asia.<sup>82</sup> Arguably, the US rebalance reflects at least two interrelated

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<sup>82</sup> The 'pivot' entered into the US national lexicon in 2011, but to avoid any misinterpretation of the term 'pivot,' which tends to highlight the US returning to Asia following its absence in the region and has the tendency to be seen as a containment policy against China, the US government prefers the word 'rebalance.' The omission of the term 'pivot' was obvious, for example, in the January 2012 defence budget guidance, which claimed the Pentagon would "rebalance toward the Asia-Pacific and Middle-East regions" (US Department of Defense, 2012b, p. 5). Thus, henceforward, the thesis will use 'rebalance' in reference to the US' recent re-engagement policy in East Asia.



perspectives. First, it reflects US re-engagement in the region; particularly in the form of its more active diplomatic engagement, military deployment and securing economic opportunity, as well as intensified bilateral relations and participation in regional institutions. Secondly, it reflects the US policy shift in balancing, relocation and readjustment of the distribution of its power from around the world to East Asia.

#### **4.1.1 The Rebalance to Asia: Closer US engagement in the region with more demands for the regional countries to have shared responsibilities**

For some analysts, the US left East Asia immediately after the collapse of the Soviet Union so as to pay attention to other regions, especially the Middle East and South Asia. According to them, whilst during the period from the 1990s to the 2000s, the US had been preoccupied with wars in Iraq and Afghanistan, the recent policy in Asia is a return move (Alagappa, 2003; Betts, 1993-1994). In the immediate aftermath of the Cold War, the absence of a Soviet threat in the region led observers to think that the US did not have the impetus to maintain the presence of a greater power in Asia. Consequently, the US reshaped its policies, particularly its security agenda in the region. The release of the US 2004 Global Posture Review (the 2004 GPR) reinforced this view that the US had turned its focus to countering a new security threat, namely terrorism. In the years following the release of the 2004 GPR, there was a massive increase in the American military presence in Iraq and Afghanistan (DMZ Hawai'i, 2004).

Campbell & Andrews (2013), however, argue that current US moves in the region are not a return to Asia because, in reality, the US never left the region. In their argument, the current US policy presents a vast and dynamic increase in the US engagement in the region. The increase has been driven by US understanding of the importance of 21<sup>st</sup> century Asia with its vast economic, military, political and social developments.

As the debates go further, one common position is clear: that the rebalance to Asia marks the US policy of engaging more closely with the region in various fields ranging from economics, politics, security and the military to the environment and the promotion of universal values. US policy was highlighted by the decision of the Obama administration in 2011 to focus more on Asia. This was initially discernible in the speech by President Obama before the Australian

Parliament on November 2011 which said that the US, as a Pacific nation, “will play a larger and long-term role in shaping” the Asia-Pacific by “upholding core principles and in close partnership with the US’ allies and friends” (White House, 2011b, para. 16). Later, the then US Secretary of State, Hillary Clinton, at Hawaii University, conveyed the same message (US Department of State, 2011):<sup>83</sup>

And there are challenges facing the Asia Pacific right now that demand America’s leadership, from ensuring freedom of navigation in the South China Sea (SCS) to countering North Korea’s provocations and proliferation activities to promoting balanced and inclusive economic growth.

Now that’s the why of America’s pivot toward the Asia Pacific. Now, what about the how? What will this next chapter in our engagement with Asia look like?

Specifically, we are moving ahead on six key lines of action, which I have previously discussed in depth. They are: strengthening our bilateral security alliances; deepening our working relationships with emerging powers; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights (para. 19, 20 & 21).

In January 2012, the US Defense Department issued a Strategic Guidance stating that the US will “of necessity rebalance toward the Asia-Pacific region” by strengthening existing alliances, engaging new partners, and investing in necessary military capabilities (US Department of Defense, 2012a, p. 2). The US National Security Strategy, issued in 2015, further emphasised the need for the US to rebalance to Asia. This document stressed that the US would advance international order by “rebalancing to Asia and the Pacific through increased diplomacy, stronger alliances and partnerships, expanded trade and investment, and a diverse security posture” (White House, 2015a, p. 1).

The then Secretary of State John Kerry (US Department of State, 2014c) underlined some specific opportunities that define the rebalance policy in Asia: first, the opportunity to create sustainable economic growth; secondly, powering a clean energy revolution that will address climate change while simultaneously jumpstarting economies around the world; thirdly, reducing tensions and promoting regional cooperation by strengthening the institutions and reinforcing the norms that contribute to a rules-based, stable region; and, fourthly, empowering people throughout the Asia Pacific to live with dignity, security, and

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<sup>83</sup> Similar messages were later amplified by the then US Secretary of Defense, Chuck Hagel, at the 2013 Shangri-La Dialogue (US Department of Defense, 2013b).

opportunity. Kerry's statement was in line with Clinton's six key lines of action, whilst paying more attention to securing US economic opportunities in the region.

The rebalance policy comes along with budget constraints and a change in administration that might influence its trajectory. Indeed, the change in the US presidency could lead to a different approach in the pursuit of the US' rebalance policy. However, in view of the US military and economic interests, and the region's significance to the US, the rebalance policy under the new president remains likely to bring the region closer and to become supportive of the US. The transactional policy of the new administration might yet demand greater shares of responsibility among regional friends and allies to maintain security and stability.

#### **4.1.2 The US military rebalance to Asia and its interests**

Prior to the declaration of the US rebalance to Asia, a US policy shift towards Asia had been obvious from the relocation of US military forces. Richardson (2009) argues that so as to defend its interests, the US has been steadily transferring more aircraft carriers and other warships from its Atlantic fleet to the Pacific since the beginning of the second millennium. As a result, the Pacific fleet's share of the total US fleet of 280 ships has risen from 45 percent in earlier years to around 54 percent and continues to increase. Richardson (2009) further notes, the US Pacific fleet now includes six of the navy's 11 aircraft carriers, almost all of the 18 Aegis cruisers and destroyers that have been modified for ballistic missile defence operations, and 26 of the 57 attack submarines.

As a part of the rebalance to Asia, the US further disperses and increases its military capability and quality in the region. The US Quadrennial Defence Review (QDR) 2014 reiterates: "By 2020, 60 percent of US Navy assets will be stationed in the Pacific, including enhancements to our critical naval presence in Japan" (US Department of Defense, 2014b, p. 34). The security dynamics of East Asia have been a concern of this document. The executive summary of the QDR 2014 also notes that "modern warfare is evolving rapidly, leading to increasingly contested battle space in the air, sea, and space domains – as well as cyberspace" (p. iii). This implies that East Asia is one of the main areas of attention, where China is believed to increasingly challenge US supremacy. The same document states that: "In the coming years, countries such as China will continue seeking to

counter US strengths using anti-access and area-denial (A2/AD) approaches and by employing other new cyber and space control technologies” (p. 6).

There is a clear indication of an increased US intention to develop and maintain its military facilities in Asia.<sup>84</sup> US military facilities straddle the region. With 109 bases on its territory, Japan hosts the bulk of the US military facilities in Asia, followed by South Korea hosting 83 bases (The US Office of the Under Secretary of Defense for ATL, 2013). Added to this list is a US military base in Guam, and US access to some military bases of the Philippines, Singapore and Australia. Furthermore, US military supremacy in Asia has been supported by its military strongholds in Hawaii and Alaska.<sup>85</sup>

In addition to maintaining the number of its military facilities, the US seeks to enhance the capabilities of forces stationed at these facilities. An example was the US move to deploy its most advanced radar system to South Korea and Japan (Rajagopalan, 2014; Richards, 2014). The US also plans to station the first Air Force F-35s in the Pacific at bases in Misawa and Kadena-Japan, and Osan and Kunsan Air Bases in South Korea (Clark, 2013).<sup>86</sup> In addition, the US still maintains large numbers of military personnel throughout Asia. Current US military personnel in Asia amount to approximately 100,000. These include 18,500 personnel in South Korea, 50,000 in Japan, 5,400 in Guam, 20 in Vietnam, 120 in Thailand and 150 personnel in Singapore (RT, 2013). The number also includes rotational military personnel in Australia and the Philippines.

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<sup>84</sup> Current US military facilities overseas include three components: (i) Main Operating Bases (MOBs), with permanently stationed combat forces and robust infrastructure, are characterised by command and control structures, Family support facilities, and strengthened force protection measures; (ii) Forward Operating Sites (FOSs) are expandable “facilities” maintained with a limited presence of US military support and possibly prepositioned equipment. FOSs will support rotational rather than permanently stationed forces and be a focus for bilateral and regional training and; (iii) Cooperative Security Locations (CSLs) are facilities with little or no permanent US presence. Instead, they will be maintained with periodic service, contractor, or host-nation support. CSLs will provide contingency access and be a focal point for security cooperation activities (DMZ Hawai’i, 2004).

<sup>85</sup> US military facilities in Hawaii and Alaska are strongholds that can support US military operations in Asia. Indeed, as Lord & Erickson (2014) argue, the geographical proximity of the two strongholds to Asia gives them unique importance to support US military operation in the Asia Pacific.

<sup>86</sup> The then US Defense Secretary, Leon E. Panetta, said that the US is going to enhance its weapons in Asia. Among the specific new weapons Mr. Panetta mentioned, were the advanced fifth-generation aircraft known as the Joint Strike Fighter, the enhanced Virginia-class fast-attack submarine that can operate in shallow and deep waters, new electronic warfare and communications capabilities, and improved precision weapons (Perlez, 2012).

A few years after the rebalance policy was declared, the region has seen intensified US military engagement bilaterally with some of the East Asian countries. While determining to get US troops out of Afghanistan and Iraq,<sup>87</sup> since 2012 the Obama administration has sent a contingent of Marines on rotational deployment to a military base in Australia.<sup>88</sup> Although the move is not to suggest that a large US military relocation from the Middle East and South Asia into East Asia is under way, it signals a new posture or intention in the region. Equally important, the promulgation of an operational concept, called Air-Sea Battle (ASB), by the then US Secretary of Defence Robert Gates in 2011, displays the intensification of US military moves in the region. The ASB concept provides a blueprint to integrate air and naval capabilities aimed to maintain the capacity to project military forces even if the adversaries are able to deploy an A2AD (anti-access and area denial) capability (Dian, 2015). In a similar fashion, the US also seeks to reinvigorate bilateral military relations with regional allies, especially Japan<sup>89</sup>, the Philippines<sup>90</sup> and South Korea,<sup>91</sup> as well as invite other players to work more closely in building an Asian security order (Acharya, 2010).

Whether the US rebalance policy in the military realm is specifically intended to respond to the rise of China is not clearly stated by US officials. However, in view of the US interests, which are discussed later, and the vibrant

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<sup>87</sup> There had been a reduction in numbers of US troops in Iraq leaving not more than 1,000 troops in 2011 (US Department of Defense, 2011). However, owing to the intensification of security tension in the country, mainly as a result of rising ISIS threats, the number of US troops has increased to about 3,000 personnel (Ackerman & McCarthy, 2014). In Afghanistan, the Obama administration has also planned to bring home all American soldiers, while just leaving a few to safeguard the US Embassy in Kabul and help Afghanistan security deal with logistical and training matters (Landler, 2014).

<sup>88</sup> Although the US has long enjoyed a close military and intelligence relationship with Australia, the US has never stationed any significant military personnel permanently in Australia since World War II. However, in the speech before the Australian Parliament on November 17, 2011, President Barack Obama announced that the US would deploy up to 2,500 US Marines at Darwin, in northern Australia (White House, 2011a).

<sup>89</sup> Discussion of the US-Japan military relations is provided in Chapter 5 of this thesis.

<sup>90</sup> After eight rounds of meetings within a period of two years, the US and the Philippines signed the Enhanced Defence Cooperation Agreement (EDCA) in April 2014. The Agreement enables American forces to more regularly rotate through the island country for joint US-Philippine military exercises, focusing on maritime security, maritime domain awareness, and humanitarian assistance and disaster relief. The Agreement, which will be reviewed in 10 years, however does not arrange to set up a permanent US military base in Philippines (Philippine's Official Gazette, 2014a and 2014b).

<sup>91</sup> South Korea has been one of the US' closest allies in the region. Their relations, which were originally established during the Cold War as a bulwark against communist expansion in Asia, have flourished recently to promote their shared interests and encounter common concerns such as North Korea's belligerence and China's rise. See for example, Bajoria & Lee (2011) and Power (2014).

dynamics of East Asia, highlighted by China's assertive military moves as has been discussed in Chapter 3, the US rebalance policy has been, in part, shaped by a "China factor."

*The US military, security and political interests in Asia*

The US Quadrennial Defense Review (QDR) 2014 describes the basic theme of US interests in the political and security fields. Based on this QDR, the US Department of Defense has built a strategy emphasising three pillars:

(i) Protect the homeland, to deter and defeat attacks on the US and to support civil authorities in mitigating the effects of potential attacks and natural disasters; (ii) build security globally, in order to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges and; (iii) Project power and win decisively, to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief (US Department of Defence, 2014b, p. v).

The US QDR 2014 and the three pillars have specified the various elements of US national security interests including its homeland, territories, citizens and allies. From this thinking, this chapter therefore argues that at least four main interests underpin the US rebalance policy in Asia.

First, it is in the interests of the US to maintain regional peace and stability by deterring any possible adversaries, including a potential dominant power or group of powers that would threaten or impede US access to, or interests in, the region. China's rise has enhanced a threat perception in the minds of US policy makers, especially over its possible capacity to erode the US' command of the commons (Dian, 2015). In this respect, the US rebalance policy entails the promotion of its various interrelated interests ranging from freedom of navigation and communication at sea, and in the air, space and cyber domains. Indeed, securing freedom of navigation and communication is also mutually related to US economic interests. This is timely and crucial in the context of East Asia's dynamics where China's increased military capability can potentially disrupt the current peaceful status quo. China's enhanced military capabilities will enable it to manoeuvre in the traditional areas of US military operation aimed at securing sea (and air) lines of communication and transportation. Asia contains the vital

South China Sea and East China Sea,<sup>92</sup> which are currently in the regional spotlight. In addition, the region also hosts large and busy ports for containers and cargos. These include ports loading a great amount of US goods for both export to, and import from, various markets in Asia, Australia, New Zealand, Africa and the Middle East. These ports straddle several places across the region, ranging from Japan, China, Taiwan, Hong Kong, the Philippines and Singapore to Indonesia.<sup>93</sup> In 2013, total goods from the US to these markets, and vice versa, passing through the sea and the ports in these areas accounted for US\$ 1,383 trillion or 35.6% of the US total trade with the world (US Census Bureau, 2014a).<sup>94</sup>

China's recent assertive moves, enhanced by its increased military capability, have the potential to stimulate armed clashes in some areas of the SCS and ECS. There is a prospect that in the future the region might witness frequent clashes between claimant parties in the seas. In this regard, the territorial disputes have added another challenge in the region, while others, ranging from sea robberies, environmental problems and human trafficking to terrorism, still loom large.

In addition, China's moves will also threaten the presence of US military operations in the area. China's military capability, with its enhanced ability to cover the whole area claimed within its nine-dash line, will have the potential to reduce US military influence in the SCS. America's commitments and interests in the area will be automatically affected as its military presence is circumscribed and offset by China's military operations. Consequently, China's enhanced presence and manoeuvres may undermine the US presence and commitment to its allies and friends in the region. Therefore, the US military rebalance policy potentially protects its interests from any possible risk resulting from China's military rise and prevents its hegemonic position being undermined.

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<sup>92</sup> More discussion on the East China Sea will be provided in Chapter 5 which addresses the impact of Japan's engagement in the region towards Indonesia.

<sup>93</sup> Similar arguments have also been raised by many commentators that the region is often referred to as being strategically important to the US. This is because the region's Sea Lines of Communication (SLOC), mainly the SCS and several straits scattered between the islands in East Asia, connect the Indian and Pacific Oceans on which US economic and security interests are dependent. See, for example, Percival (2010).

<sup>94</sup> From this total trade, US exports alone reached US\$ 477.5 trillion or 30% of the total US exports to the world (this amount does not include the minerals and oil products) (US Census Bureau, 2014).

Secondly, the rebalance policy serves to protect US allies and enhance their confidence in the US' regional commitment. The region hosts several key US allies including Japan, South Korea, the Philippines, Singapore and Australia. In the post-Cold War era, US interests are driven more by its objective to secure its allies' commitment to shared costs and responsibilities. The 3rd Armitage-Nye Report (Armitage & Nye, 2012) says, "The US and others rely on Japan as the maritime lynchpin to a stable, strategic equilibrium in the Asia-Pacific region; the second-largest contributor to the United Nations (UN), International Monetary Fund (IMF), and other leading multinational institutions; and the host of US forces that keep sea-lanes open for the world's most dynamic hemisphere" (p. 2).

The presence of key US allies has underscored the region's significance in the advancement of US interests. The allies' contribution to shared costs and responsibilities will not only benefit the region, but also the US. The 3rd Armitage-Nye Report (Armitage & Nye, 2012) identifies several aspects that allies, especially Japan and South Korea, contribute. Their contributions can include: (i) increased participation in multinational efforts to combat piracy, protect shipping lines and confront threats to regional peace, such as those posed by Iran's nuclear program; (ii) efforts to ensure proper safeguards, non-proliferation practices and high standards of transparency in the production of nuclear energy (a key issue is to deter North Korean pursuit of nuclear weapons); (iii) promoting a regional environment best suited to handle China's rise; (iv) commitments to overseas development assistance (ODA);<sup>95</sup> and (vi) continued engagement with regional forums to promote a peaceful and lawful maritime environment, to ensure unhindered sea-based trade, and to promote overall economic and security well-being.

Thirdly, politically, the US has an interest in promoting the values of freedom, democracy and human rights in the region. This is timely and relevant. The US promotion of freedom and democracy will be in competition with China's political system that embraces a single ruling party, the tight control of the party on the country, and limited public freedom of speech as well as restricted political

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<sup>95</sup> The report underscores current strategic development assistance agreements between the US, Japan and South Korea. The US expects that the allies, in particular Japan and South Korea, would benefit from pooling their visions and funds into a collaborative arrangement as they promote strategic development around the world.



rights in return for economic growth. Added to this is China's distinctive interpretation of human rights.<sup>96</sup> Under such a political system, China's Communist Party has persistently displayed the government's ability to ensure control to maintain and secure political stability and security – the very foundation indispensable for the vast growth of China's economy. This political system has presented a story of accomplishment in Chinese economic growth and will potentially attract admiration from some in the region. The rebalance ensures the US can remain politically significant in the region. In this respect, the idea of the competition between the Washington Consensus and the Beijing Consensus, which will be discussed later in this chapter, becomes apparent.

Last, but not least, in its effort to fight against terrorism, the US has an interest in aligning with Asia, a home for a majority of moderate Muslims. The latest report of the US Department of State (2014a) to Congress on counter-terrorism states that Al-Qaeda (AQ), its affiliates and adherents worldwide continue to present a serious threat to the US, its allies and interests. The report admits that despite AQ's core leadership having been severely attacked, the terrorist threat continues to evolve (US Department of State, 2014a). Taking South Asia, especially Pakistan and Afghanistan, as well as the Middle East as major fronts in its war against terrorism, the report also notes that East Asia is one of the terrorists' safe havens and that the region is still a key front in the US global campaign against terrorism.<sup>97</sup> More specifically, the report lists designated terrorist organisations, including three South East Asian terrorist groups: the Communist Party of the Philippines/New People's Army, Jemaah Islamiyah (JI) and Abu Sayyaf Group (ASG) (US Department of State, 2014b).<sup>98</sup>

In this respect, the US counter-terrorism campaign constitutes two interrelated aspects. On the one hand, countries like Indonesia, Malaysia, the

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<sup>96</sup> See China's view on human rights in Chapter 3.

<sup>97</sup> The report describes terrorist safe havens as "ungoverned, under-governed, or ill-governed physical areas where terrorists are able to organise, plan, raise funds, communicate, recruit, train, transit, and operate in relative security because of inadequate governance capacity, political will, or both." It also specifies the Sulu area or Sulawesi sea littorals and southern islands of Philippines as the terrorists' safe haven in the region (US Department of State, 2014b, p. 23).

<sup>98</sup> The New People's Army is the guerrilla arm of the Communist Party of the Philippines. It often wages violent actions to destabilise and overthrow the Philippine government. Jemaah Islamiyah and Abu Sayyaf are two terrorist groups affiliated with Al-Qaeda in South East Asia working beyond the borders of Indonesia and the Philippines. These groups seek to spread their ideologies to a much wider audience, and their terrorist acts have consistently destabilised South East Asian nations.

Philippines and Thailand earn technical and financial support from the US to address their domestic security problems.<sup>99</sup> On the other, assisting regional governments to address the threat of terrorism is a part of preventive measures by the US against any possible attacks on the US homeland and its allies' territories. In the end, continued US support and cooperation on counter-terrorism in the region will help curtail the threat of terrorism to US interests.

#### **4.1.3 The US economic rebalance to Asia and its interests**

In addition to the military approach, the US rebalance to Asia includes an effort to secure economic opportunities in the region. There are at least two reasons for the US' emphasis on economics. First, the focus on economics occurs at a time when the US is determined to address its domestic economic problems following successive crises since 2008. The focus on economics seeks to serve US economic interest by ensuring that Asia's economic potencies can be explored for the greater benefit of the US. Secondly, the emphasis on economics is to ease China's criticism of the rebalance policy, which, according to China, displays too much stress on military and security approaches.<sup>100</sup>

In this respect, the most obvious strategies of US economic rebalance currently include first, maintaining US participation in the Asia-Pacific Economic Cooperation (APEC); and engaging in existing bilateral free trade agreements with selected countries in the region.

First, the US continues its participation in APEC meetings. Established in 1989, APEC carries a significant meaning for its 21 economic members, including the US.<sup>101</sup> APEC conducts regular meetings in which leaders, senior officials and

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<sup>99</sup> The report of the Congressional Research Service (CRS) to Congress (Lum, 2008) expresses the view that the war on terrorism has reoriented US foreign assistance priorities in Asia since 2001 and accelerated a trend toward increased aid to the region. According to the report, the US has raised military, economic, and development assistance primarily for counterterrorism objectives in the East Asia-Pacific (EAP) and South Asia regions, with Pakistan, India, the Philippines, and Indonesia receiving the bulk of the increases.

<sup>100</sup> Indeed, China's problem with the "rebalance to Asia" strategy had been put forward by China's Ambassador to the US, Cui Tiankai. In an interview with Foreign Policy (Fish, 2014), Cui reiterated China's complaint that the rebalance "is not balanced" (para. 47). Cui elaborated: "There has been too much stress on the military and security aspect, stressing traditional alliances without addressing adequately the real needs and concerns of the regional countries for economic prosperity and sustainable development" (Fish, 2014, para. 47).

<sup>101</sup> Currently, the members of APEC include Australia, Brunei, Canada, Chile, China, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, South Korea, Thailand, the US and Vietnam. In addition, APEC also includes Taiwan and Hong Kong (China) as economic entities

business representatives from member economies consult and address various issues, mainly economic and other related topics. Over the past decades, APEC has become the venue in the region for negotiating the promotion of open trade and economic cooperation. Indeed, APEC's role has developed and encompassed trade liberalisation, business facilitation, economic and technical cooperation.

Secondly, the US strategy involves promoting bilateral free trade agreements with selected countries in the region. In East Asia, the US has been party to two separate bilateral free trade agreements, namely with Singapore and South Korea. The US-Singapore FTA was concluded on January 15, 2003 and further enhances the already strong commercial relationship between the US and Singapore.<sup>102</sup> The US' FTA with South Korea came into force on March 15, 2012. In general, the agreement will eliminate tariffs on over 95 percent of industrial and consumer goods of both countries within five years. The agreement covers a range of sectors including the automotive industry, manufacturing, services, agricultural products, investment, financial services, government procurement, labour rights and environmental commitment.<sup>103</sup>

#### *US economic interests in Asia*

US economic interests in the region include trade, investments and other economic sectors. The US economic rebalance policy is aimed at securing prospective Asian markets for the greater benefit of the US. Current economic relations and cooperation provide the indicator of their significance to one another. In reality, growing economic relations have led all parties to engage interdependently, which will only lead all parties to suffer if they let any obstruction occur in their relations.

Trade, as for many countries in East Asia, is regarded as critical to America's prosperity (Executive Office of the President of the US, 2014a). Asia's significance is reflected in the growing trade between the region and the US. In

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<sup>102</sup> At the beginning of the FTA, annual two-way trade of goods and services between the US and Singapore approached US\$ 40 billion (Executive Office of the President of the US, 2003). In 2013, the total bilateral trade between US and Singapore reached US\$ 48.5 billion (US Census Bureau, 2014a). Under the agreement, Singapore applies zero tariffs on all US goods. Also, Singapore will not increase its duties on any US product. At the same time, Singapore products entering the US market experience a reduction of duties gradually at different stages (Executive Office of the President of the US, 2003).

<sup>103</sup> The fact sheet of the US-South Korea Free Trade Agreement can be accessed online at the White House (2012).

2013, US total exports of goods to East Asia amounted to US\$ 350.24 billion, or 22% of the total US exports to the world (US Census Bureau, 2014). The US exports of goods and services to the Asia-Pacific in 2013 supported 3,184,500 jobs at home. This number amounts to almost 39.5% of the total 8,055,000 US jobs that are supported by goods and services exports to the world (Rasmussen & Schaefer, 2014). The data shows that East Asia is among the US' fastest growing markets and important to the superpower's economic development and prosperity. Chart 4.1 indicates that some East Asian and Australian markets in 2013 grew to become part of the top 15 US export destinations (services and goods) with a high share of supporting job creation:

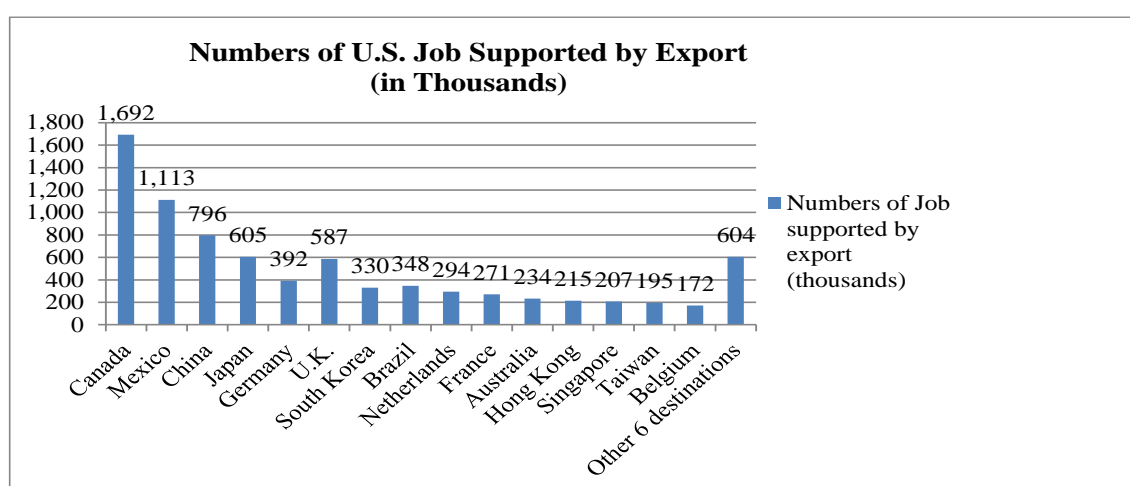


Chart 4.1 Top 15 U.S Destinations and Jobs Supported by Total US Goods and Services Exports 2013 (adapted from Rasmussen & Schaefer, 2014, p. 5)

The region's economic significance to the US continues to increase as East Asia sees the rise of its middle-income consumer class. The increase in the size of the East Asian middle class has offered the US a significant export market. Indeed, Ellis (2012) reports that East Asia sees growing numbers of rich consumers. China, for example, has some 250 million middle class consumers, with that figure expected to rise to 600 million by 2020.<sup>104</sup> Added to this are the ASEAN countries with their middle class of approximately 100 million today.

<sup>104</sup> Similarly, as discussed in Chapter 3, China alone has seen the booming of its new middle-income class society with monthly earning of US\$ 3,000 – 3800. In this respect, China's middle class is defined as households with daily expenditures of between US\$ 10 and US\$ 100 in purchasing power parity terms (Boulter, 2013). Boulter further predicts that the middle class will rise from just over 10 percent of China's population in 2009 to over 40 percent in 2020 and over 70 percent by 2030.

In the investment sector, there has been an increase of 144 percent of Asia-Pacific investment in the US since 2000. From US\$ 192,647 million in 2000, the direct Asian investment in the US increased to US\$ 564.4 billion in 2015. In other words, Asia-Pacific investment in the US has recorded an 18% share of the total FDI in the US, reaching US\$ 3,145 trillion in 2015. From this account, Japan, South Korea, Singapore, China and Hong Kong are five of the fastest growing sources of Asian FDI in the US. Similarly, there has been an increase of 275% of US direct investment in the Asia-Pacific over the last decade. From US\$ 207.1 billion in 2000, the US outward investment in the Asia-Pacific increased to US\$ 778.4 billion in 2015. The 2015 US outward investment in Asia accounts for a 15 percent share of the total US investment across the world, reaching US\$ 5,040.7 trillion (US Department of Commerce, 2017).

In addition, East Asia's significance for the US economy is also observable from the contribution of East Asian students and their dependent families living in America. According to the Institute of International Education (2013), during the academic year of 2012-2013, there were 819,644 international students staying in the US. In this period, the students contributed \$24.7 billion to the US economy through their expenditures on tuition and living expenses. Accordingly, nearly 313,000 jobs were supported or generated as a result of international students spending on tuition and living expenses while in the US (The Institute of International Education, 2013). There were about 404,748 students from East Asian countries in the US. This number constitutes almost 50 percent of all international students in the US. The students from Asia were estimated to contribute at least US\$ 12.1 billion to the US economy.

With increases in incomes and growing numbers of wealthy Asian families, the world will see a mounting number of Asian students enrolling in various education institutions abroad. China, for example, has seen an increase in the number of Chinese students enrolling in overseas education institutions. About half a million Chinese students were estimated to study abroad in 2014 (Yang, 2014). This number indicates the rise of Chinese students studying abroad from 399,600 students in the academic year of 2011-12 (ICEF Monitor, 2013).

Asian tourists visiting the US have also contributed to the US economy. According to the National Travel and Tourism Office (US Department of Commerce, 2013), three East Asian countries – Japan, China and South Korea –

were among the top ten international visitors to the US in 2013. There were around 6.9 million visitors from the three countries to the US: 3.73 million from Japan, 1.81 million from China and 1.36 million visitors from South Korea. In total, there were more than 9 million arrivals of Asian visitors in the US amounting to a 28 percent share of the total 2013 international tourists' arrivals of 32 million (US Department of Commerce, 2013). Tourists from the Asia-Pacific contributed US\$ 50.7 billion to the US economy in 2013 (US Office of Travel and Tourism Industries, 2014). By and large, Asian tourists continue to offer great benefits to the world and the US tourism industry.

Furthermore, current regional trends show the increasing economic interdependence with a growing interest in a Regional Comprehensive Economic Agreement (RCEP) between the ten ASEAN countries and the six ASEAN partners (China, Japan, South Korea, India, Australia and New Zealand). In addition, the region has also seen the development of other Free Trade Agreements such as the ASEAN-China Free Trade Agreement (ACFTA) and other ASEAN+1 FTAs (with Japan and South Korea separately). Indeed, most of the countries in the region have signed, or are in negotiations over, bilateral or regional trade agreements that create a kind of preferential treatment. Furthermore, China also wants to establish an FTAAP – a trade and investment pact involving countries in the Asia-Pacific region. Equally important, the region has also seen the establishment of the China-supported AIIB. All of these developments will be at a cost to the US, especially if the regional pacts only embolden China's economic dominance and reduce US influence in the region.

#### *The Obama administration and the TPP*

During President Obama, the US government made it clear that it sought to finalise the TPP negotiations (including getting the support of the US senate). Setting up the TPP, a free trade agreement, was once one of the three remarkable moves of US' economic rebalance in the region (in addition to the bilateral agreement and APEC as previously discussed). The TPP was being established by 12 countries, which account for nearly 40 percent of the global GDP and about one-third of all world trade (Executive Office of the President of the US, 2013).<sup>105</sup>

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<sup>105</sup> As of November 2014, the 12 involving countries are US, Australia, Brunei Darussalam, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Initially, the TPP negotiations were begun in 2002-2003 by Singapore, New Zealand and Chile. The three countries set up the TPP to establish a closer economic partnership between them. That idea then grew to include some others, initially Brunei, Peru, Australia and Vietnam, and now involves the US. America's involvement dated from the end of 2008 and intensified at the beginning of the Obama administration in 2009.

The TPP agreement includes various issues that, according to its members, are aimed at establishing high standard and comprehensive cooperation on trade and investment. The TPP agreement includes: promoting a competitive business environment; protecting consumers and ensuring a level playing field for TPP companies; promoting cooperation and capacity building; promoting cross-border service industries; promoting the establishment of transparent customs practices that accelerate and facilitate trade; supporting trade while addressing environment challenges; committing to improve financial service sectors, including investment in financial institutions, and; protecting intellectual property rights, investment, and market access for goods and labour (Executive Office of the President of the US, 2011).

The Executive Office of the President of the US (2014b) states that US participation in the TPP agreement aims to “unlock opportunities for American manufacturers, workers, service providers and farmers, as well as to support job creation and wage growth” (para. 2). The Obama administration has clearly stated that in trade, it seeks to eliminate tariffs and non-tariff barriers as well as unblock commercially-meaningful market access for US products exported to TPP countries. In the investment sector, the US seeks to secure various issues ranging from liberalisation of access for investment, non-discrimination and the reduction or elimination of other barriers to the establishment and operation of investments in TPP countries (The Executive Office of the President of the US, 2014b).

There have been widespread analyses that suggest the TPP is an anti-China agreement aimed at containing China and enhancing US economic influence in the region.<sup>106</sup> These analysts stress the fact that until now China has been excluded from the TPP. The exclusion suggests a US strategic goal to create its

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<sup>106</sup> Among several articles discussing the TPP as an anti-China bloc are Kelsey (2011), Clark (2011), McCarthy (2013) and Du (2014).

own economic bloc to confront the growing influence of China. However, US officials were swift to counter such analyses by emphasising that the TPP is not about China. The US concern was only about the growing network of bilateral and regional deals being negotiated without it in the region. Indeed, a former US Trade Representative, Schwab (2012), states that: “We were concerned that we could see a situation where US companies – US industry, agriculture, services, investment – were going to be locked out of preferential trade deals that were being negotiated in the region” (p. 8).

The change in the administration, however, brought the shift in the US’ policy towards the TPP. The newly elected President issued an executive order in January 2017 that the US abandoned the trade pact.

#### **4.1.4 The rebalance in the midst of budget constraints and the newly elected Trump**

In view of the continuing US military and economic interests in the region, the US’ rebalance policy seems likely to continue under the new president. Budget constraints and President’s transactional policy, however, will see a different approach that demands a greater share of responsibility among regional friends and allies in maintaining security and stability. In addition, the US withdrawal from the TPP leads to speculation on the US commitment to economically engage with and to circumnavigate China’s influence in the region.

##### *Military Rebalance*

Militarily, there is speculation that the US effort to implement the military rebalance is being hindered. Questions have emerged over whether the policy is really underway or whether the US can maintain it amid financial restrictions and Trump’s transactional policy. The economic downturn following the 2008 global financial and economic recessions has resulted in spending cuts that might lead to some unprecedented consequences for the US military. These could include a decrease in the number of troops, restricted capabilities to execute overseas missions and curtailing plans for upgrading weapons systems. The US Department of Defense released its US\$ 496 billion fiscal 2015 budget request in March 2014. Due to caps imposed by Congress’ bipartisan budget deal in



December 2013, the request was \$0.4 billion less than the enacted FY 2014 appropriation (US Department of Defense, 2014a).

The then US Secretary of Defense, Chuck Hagel, predicted the worst possibility if the Pentagon is forced to cut US\$ 500 billion over the next 10 years as a result of the Congressionally mandated spending cuts. He said that the US budget cuts over the next 10 years could leave the nation with “an ill-prepared, under-equipped military doomed to face more technologically advanced enemies” (“Chuck Hagel warns,” 2013, para. 2).

Amid these economic issues, the US Department of Defense insists that the rebalance to Asia continues and remains a priority of US defence policy in the future. This is obvious in the US 2014 Quadrennial Defense Review (QDR) that reaffirms Washington’s commitment to the US rebalance to Asia. In stating the DoD’s priorities, the document says that “rebalancing to the Asia-Pacific region to preserve peace and stability in the region” is the first priority, followed by sustaining commitments to Europe and the Middle East and countering violent extremism (US Department of Defense, 2014b, p. 12).<sup>107</sup>

Another factor that causes a possible hindrance to the US rebalance policy is the newly elected President Donald Trump. During his campaign, Donald Trump outlined a transactional policy that might influence US’ view on maintaining alliances with some countries in Asia and providing a guarantee for regional security.

In this respect, the spending cuts, domestic economic problems, and new President Trump entail two interrelated themes. First, the region is anxious about the possibility of US reluctance to engage actively especially in the military approach in future regional matters. Secondly, under the logic of the spending cuts, current US moves to establish intensified cooperation with allies and to nurture friendships in the region are efforts to get regional actors to contribute more to the share of costs and burdens in the maintenance of regional peace and security. The

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<sup>107</sup> In a moment of amending her previous remarks that the US rebalance is not underway, Katrina McFarland, the then Assistant Secretary of Defence for Acquisition says that: “This a.m. when I spoke at a conference, I was asked a question about the budget, that will be officially released today, and how it relates to our pivot to Asia. I was reiterating what [Defense Secretary Chuck] Hagel said last week: That the shift in focus to the Asia-Pacific requires us to ‘adapt, innovate, and make difficult (budgetary and acquisition) decisions to ensure that our military remains ready and capable.’ That’s exactly what we’ve done in this budget. The rebalance to Asia can and will continue” (Biggs, 2014).

transactional nature of Trump's foreign policy will increase the likelihood of US demands for shared responsibilities among allies in the region. The US expects a more active commitment by allies and friends in Asia so as to play their part in finding and implementing solutions to shared regional and global challenges.

#### *Economic rebalance under Trump*

In the economic rebalance, despite the change in the US presidency and the uncertainty of Trump's policy on East Asia, an interest in supporting the US economy through enhancing economic cooperation between the US and regional countries remains the same. The US economic rebalance through the two moves previously discussed will likely proceed. Nevertheless, it is expected that the US economic rebalance in the region would have been augmented, should President Trump continue the US participation in the TPP. Driven, in part, by distrust on the substance of the TPP agreement which, according to President Trump, would potentially give more benefit to big corporations at the expense of national sovereignty and public interests, as well as due to a concern that the TPP would grant other member countries greater trade access to US market in the light of the US' protracted trade deficit, President Trump ordered US withdrawal from the TPP.

The US economic rebalance under President Trump might see the two strategies – US participation in APEC and FTAs with selected countries – becoming the major tools that intensify US presence in Asia. Following the withdrawal from the TPP, it is expected that an intensification of US transactions in these two frameworks of cooperation will highlight US interest to secure economic opportunity in the region.<sup>108</sup>

#### **4.2 US-China Interaction in the Region and How It Impacts on Indonesia**

The following discussion addresses two related aspects: first, how the US reengagement policy has impacts on US bilateral relations with China and, secondly, how the dynamics of US-China bilateral relations, in turn, have impacts on Indonesia's interests. This part acknowledges the relevance of RSCT and is closely related to the issues discussed in Chapter 3.

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<sup>108</sup> The discussion on the impact of US withdrawal from the TPP will be further elaborated later.

#### **4.2.1 Growing US-China competition for influence in the region**

In a joint statement by US President Obama and Chinese President Hu Jintao during the latter's visit to the US in 2011, both countries recognised and proclaimed their shared commitment to a "positive, cooperative, and comprehensive US-China relationship for the 21 century" (White House, 2011a; para. 2). At the same occasion, the US reiterated that it "welcomes a strong, prosperous, and successful China that plays a greater role in world affairs" (para. 5). Similarly, China "welcomes the US as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region" (para. 5). The joint statement reflected a harmonious relationship between them. Kissinger (2012) neatly noted this harmonious relationship: "Top American and Chinese officials have exchanged visits and institutionalised their exchanges on major strategic and economic issues. Military-to-military contacts have been restarted, opening an important channel of communication" (Para. 2). Kissinger (2012) also noted that US-China relations have been obvious at the unofficial level, where so-called Track-Two groups have explored the possible evolution of the US-Chinese relationship. However, as cooperation developed, so has controversy between both powers, especially in the light of the US rebalance policy and the dynamics of China's rise.

As previously discussed, the US rebalance to Asia encompasses various approaches seeking to advance US interests through political, economic and military means. On the one hand, the rebalance policy seeks to advance US interests, in particular to potentially influence the region, including China, toward a track that would benefit US interests. On the other, as Chapter 3 argues, China has the intention of shaping the current US-led regional order to better promote its manoeuvrability and to accommodate its rights as a growing power. In this respect, the region has seen intensified US-China interactions that potentially carry competitive elements in military, political and strategic as well as economic dimensions. Nevertheless, it is acknowledged that US-China relations in the light of the US rebalance policy will also reflect an element of cooperation. Thus, this thesis holds the view that competitive and cooperative elements coexist in the US-China bilateral relationship. Turning to current literature, other scholars have also argued that US-China relations have a pattern of cooperative and competitive

interactions (i.e.: Cossa, 2015; Seng, 2015). While there is a possibility of enhanced rivalries between the two powers, room for cooperation, especially in the economic realm, between them remains large.

*Interactions in military and strategic domains*

As discussed in Chapter 3, China has experienced significant and increasing military advantages following its modernisation program. The military build-up has been a concern for the region. Similarly, China also has concerns over the increase in external military challenges towards its national security. As highlighted in its defence white papers released in 2013 (Xinhuanet, 2013) and 2015 (“Full Text: China’s Military”, 2015), China expressed its concern over the increasing hegemonic power politics and neo-interventionism in the region. China further reiterated its concern over intensifying competition with the US in the international military field.

The competition here is not only about the military build-up, but also about the contest to win influence, friendships and alliances with regional countries. Accordingly, observers are expressing different perspectives on the likelihood of future China-US military and security interactions. On the one hand, sharing the idea of Gilpin (1981),<sup>109</sup> Mearsheimer (2001) and Toft (2005) argue that conflict rather than cooperation between great powers is unavoidable. Similarly, others also argue that the US and China are more likely to clash than cooperate as a result of various issues including China’s hard-line policy with respect to its sovereignty and territorial claims (Christensen, 2011); US-China differences in understanding each other’s defensive and offensive moves (Adam, et al., 2013); and, great power rivalries based on a zero sum calculation (Andres, 2013).

Some observers argue that US-China relations are a complicated mix of positive and negative elements, entailing both competition and cooperation. In this respect, observers such as Glaser (2014) and Larsen (2011) agree that neither conflict nor cooperation must be the precise end of US-China interaction. More

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<sup>109</sup> Gilpin (1981) argues that revisionist states aim at changing the system. They demand fundamental changes in three components: the distribution of power, the hierarchy of prestige and rights and rules that govern or at least influence the interaction among states. Under this logic, a rising China will be in conflict with the incumbent power, the US, and presumably that will be the primary source of rivalries and regional instability.

specifically, Larsen (2011) is of the view that China is just a normal rising country with a unique historical legacy and thus the US should not worry, and must seek engagement with, rather than vilification of, it. Similarly, Ping et al. (2009) argue that US-China relations are growing towards more maturity. While conflict is possible, their bilateral relations have a much broader scope than in the past and are much richer to the extent that US will find it difficult to deal effectively with any important international problem without China's participation and cooperation. In this regard, Ping, et al. (2009) imply that China-US interdependence potentially halts the potential conflict between them.

In agreement with this second line of argument, this thesis argues that despite possible military skirmishes and incidents on the ground, US-China competition will arguably not lead to full-scale wars. This is due to several reasons. First, the current competition between the US and China is different from the Cold War scenario in which global ideological competition characterised US-Soviet rivalry. In the Cold War, both blocs engaged in competitions in various aspects – the bulk of which was competition to spread two different ideologies, communism and capitalism. The world did not see any possible convergence and interdependent cooperation between the US and Soviet Union. The shadow of conflicts and rivalries between the two superpowers was made worse by their discreet and overt participations in proxy wars in third countries.

Secondly, in contrast to the atmosphere of Cold War competition, current US-China interaction is characterised by their need for each other's cooperation on increasingly important issues such as the proliferation of weapons of mass destruction, managing peace on the Korean Peninsula and responding to climate change. Foot (2010) and Qingguo (2010) argue that the US and China share some strategic interests in the non-proliferation of weapons of mass destruction and the peace-making process on the Korean peninsula. China's presumed leverage over North Korea and the increasing attachment of the Chinese government to environmental protection have been important elements that reflect China's significance for the US in addressing the issues.

Thirdly, the nuclear capability of both powers has a deterrent factor that makes the US and China hesitant to wage a full scale war. In addition, China's military build-up does not suggest that the US will succumb to China's military capability or that China has been able to emulate and offset the US military

advantage in the region. From various parameters, the US military is far bigger and able to outmanoeuvre China's military. Global Fire Power (GFP, 2013) has made a list of military power comparisons between the US and China in Table 4.2.<sup>110</sup>

Indicators	Country	
	China	The US
GFP Rank	3 (out of 106)	1 (out of 106)
Total Population	1,349,585,838	316,668,567
Labour-power Available	749,610,775	145,212,012
Fit for Military Service	618,588,627	120,022,084
Active Military Personnel	2,285,000	1,430,000
Active Military Reserves	2,300,000	850,880
Total Aircraft Strength	2,788	13,683
Total Helicopter Strength	856	6,012
Serviceable Airports	507	13,513
Total Tank Strength	9,150	8,325
Total ARV (Armoured Fighting Vehicle ) Strength	4,788	25,782
Total SPG (Self-Propelled Gun) Strength	1,710	1,934
Total Navy Ship Strength	520	473
Aircraft Carrier Strength	1	10
Submarine Fleet Strength	69	72
Destroyer Strength	24	62
Annual Defence Budget	US\$ 126,000,000,000	US\$ 612,500,000,000

*Table 4.2 The Comparison of Military Strength between the US and China 2013 (GFP, 2013)*

From Table 4.2, it is apparent that China's ability to match US military capability is still far off and not foreseen in the near future. Several US indicators, especially its annual military budget, aircraft strength, ARV strength and helicopters constitute its competitive advantages that allow it to outmanoeuvre China's military. In addition, the list does not include some factors that enhance US competitive advantages, including its technological advances and the support of the alliances the US has garnered. However, modernisation and the increase in China's current military capability has potentially reduced China's capability gap with the US. In the past, US bases in the region were relatively safe and far from the reach of Chinese power projection. Also in the past, the US fleet could sail into the Western Pacific and operate with relative impunity without a Chinese ability to interrupt it. China has gained a range advantage with its land-based air,

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<sup>110</sup> The list of GFP makes use of 50 factors to determine the score of Power Index of each country. The factors range from total population, labour-power available, fitness for military service, active military personnel, reserve military personnel and total naval ship strength to total air force flight strength. However, this list does not take into account the nuclear capability of the two powers and the technological advancement of military equipment.

missile forces, updated and enhanced air force, as well as its aircraft carrier and submarines. In addition, China's nuclear capability has also alarmed Washington in its approach towards Beijing. Therein lies the US concern whereby enhanced Chinese military capabilities have the potential to cause the US to incur more costs and liabilities in hypothetical crises, should both engage in future military clashes. While this dynamic will potentially stimulate China's confidence in its international conduct, the disastrous effect of any war will also be an influential factor in halting both parties from waging a war on each other.

Fourthly, the US-China economies are highly interdependent to the extent that there will be serious costs if a war erupts. In fact, despite a growing distrust in the economic field between China and the US owing to several issues discussed previously, their trade relations remain important for their economic development.

Fifthly, as the discussion in Chapter 3 notes, China's leaders need to secure economic development to survive in domestic politics. Although to some extent, "hawkish" international conduct, especially in relation to the issue of the maintenance of sovereignty, might be a potential tool for the Chinese government to earn the support of nationalist domestic sentiment, national economic development, which provides an important legitimacy for China's regime survival, remains dependent on international trade. This means that China has an interest in a peaceful international environment that allows free flowing trade and investment and gives China access to foreign capital and technology.

#### *US and the South China Sea disputes*

One of the defining features of US-China competition in East Asia that is directly related to Indonesia's interests is the US position on the SCS disputes. Although the US does not claim sovereignty over any of the features being contested in the SCS, it has shown increased attention and efforts to manage these disputes. In this respect, the US has displayed evolving responses and actions to the increased tensions in the sea and, in particular, to China's actions that are considered to potentially interrupt freedom of navigation in the area.<sup>111</sup>

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<sup>111</sup> US official responses have come with its maintenance of military and security cooperation with coastal countries in the area, and constant FONOP (Freedom of Navigation Operation) especially during the Obama administration.

The beginning of this chapter described the 2011 statement of the then US Secretary of State, Hillary Clinton, whereby the US seeks to ensure the freedom of navigation and transportation in the SCS (US Department of State, 2011). The statement was the second such declaration issued by US officials in response to the tension in the SCS: a previous statement was issued in 1995 following China's occupation of Mischief Reef in the *Spratly* Islands.<sup>112</sup> Similar to the first statement, China was not explicitly mentioned in Clinton's 2011 address. However, the firmer tone was then felt in statements expressed in 2012<sup>113</sup> and 2014. In 2014, the US proposed a freeze on China's provocative actions in the SCS.

In addition to these statements, the US also continues to support the finalisation of a Code of Conduct (CoC) currently being negotiated by claimant countries and promoted by ASEAN (Glaser, 2012). In line with the COC objective to manage dispute and avoid escalation of conflict, the US called for all claimant states to "clarify and agree to voluntarily freeze certain actions and activities that escalate the disputes and cause instability" (Tiezzi, 2014a). However, for China, intensified US military cooperation and agreements with countries in the region have unnerved it and undermined the US' neutral intentions. China's uneasiness has also been exacerbated by the US relocating and strengthening some of its military facilities in the region.

Equally important, the increase in the US response towards Chinese actions was also obvious through its deployment of the USS Lassen within 12 nautical miles of two features in the SCS claimed by China in October 2015 (Lubold and Page, 2015). The dispatch of a frigate to the area confirmed the US commitment to implement its planned freedom of navigation operations (FONOPs) in the SCS. The operation was the strongest assertion by the US Navy that it

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<sup>112</sup> For the US statement in response to the Mischief Reef incident in 1995, see US Department of State (1995).

<sup>113</sup> In this period, China displayed growing intent to increase its control in disputed islands in the SCS. At first, when there was a stand-off between China and the Philippines over the Scarborough Shoal at the beginning of 2012, a deal, brokered by the US, had been reached that both parties were to withdraw military vessels from the disputed area. Yet afterwards, the Philippines accused China of breaking the deal by returning to the shoal once Philippine vessels had departed (Branigan and Watts, 2012). Then, in the same year, China announced that it was upgrading the administrative status of the disputed islands in the SCS by creating a prefectural level city, Sansha City, based on Woody Island (Yongxing Island in Chinese) in the Paracels. As part of this upgrade, China established a new military garrison and built public infrastructure such as bridges, a market and medical centre on the island (Hui, 2012). Following these dynamics, a US official response was stated. For the US statement, see US Department of State (2012).



rejects any maritime claims for Chinese features that were submerged at low-tide in their original pre-land reclamation state (Panda, 2015).

US calls and actions, which were then refuted by China, reflect US concern over the mounting disputes, especially due to China's apparent intent to take control of the sea that might potentially stimulate conflict with other claimants, or to change the status quo in China's favour. Fravel (2014) is accurate in noting that the US policy in the SCS has sought to incrementally shape China's behaviour by highlighting the costs of coercion and the pursuit of claims that are inconsistent with customary international law. Undeniably, the US position in the SCS has increased the potential of both powers' rivalries and competition, especially because China has increased its military and paramilitary operations in the sea.

In the SCS, the rebalance policy has bolstered the competition between China and the US to secure an area of operation and a place of manoeuvre. The competition has seen several military incidents between both powers since the 2000s. One of the incidents involved the USS Cowpens and a Chinese warship in November 2013 (Wee, 2013). Another incident between the two countries involved US Navy planes and Chinese fighter jets in August 2014 (Entous & Chin, 2014). The latest incident in the SCS occurred when two Chinese jet fighters conducted an unsafe intercept to US EP-3 Aries, a spy plane in May 2016 (Kube, 2016). These incidents further confirm the growing competition, with deep-seated suspicions remaining between both countries.

#### *Interaction in the economic domain*

In the economic realm, China and the US have engaged in closer cooperation. Their economic relations have become increasingly interdependent following the normalisation of their bilateral relationship in the 1990s. China's accession to the World Trade Organisation in 2001 meant that the country has become one of the advocates of the globalised system, alongside the US. US-China trade relations have also increasingly developed. From total bilateral trade of only US\$ 20 billion in 1990, it increased to US\$ 659.4 billion in 2015 (Office of the US Trade Representative, 2017). This makes China the US' biggest trade partner. Likewise, US-China investment cooperation has also developed. The US direct investment in China increased from US\$ 354 million in 1990 to US\$ 74.56 billion in 2015

(US Department of Commerce, 2017). Their interdependence has also been enhanced by the great amount of US debt owed to China. In fact, China is the biggest owner of US treasury bonds with over \$1.15 trillion as of October 2016 (US Department of Treasury, 2016). Despite this close economic cooperation, the rebalance policy has the potential to lead the US and China into a contest over dominating the rules-setting game for trade and investment by trying to be the first to establish a free trade area in the Pacific Rim.<sup>114</sup>

On the one side, the US seeks to enhance its economic interest through the economic rebalance. On the other side, China has pursued a series of plans and initiatives which are, as discussed in the previous chapter, built on the premise of the “Asia-Pacific Dream” based on the “shared spirit of Asia” and “Asia for Asians” (Zhancheng, 2014; An, 2014b). While both powers are not necessarily displaying moves to a containment of and competition with one another, the premise of China’s strategies, a US absence from Asia, has the potential to be in contest with the US. Similarly, an active US economic reengagement in its rebalance policy has also raised China’s concern over the potential US containment of China’s rising power.

Currently, competition between both powers for economic influence is obvious. The US has been seen to halt the China-endorsed FTAAP at the 2014 APEC forum in Beijing. The forum’s decision mentioned the founding of a “strategic study” – avoiding China’s proposal for a “feasibility study” on the concept – to learn about the prospect of having such FTAAP.<sup>115</sup> The forum instructed the study to be finished by the end of 2016. This conceivably favours US interests, as the process potentially delays the founding of the FTAAP.<sup>116</sup>

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<sup>114</sup> To limit the focus of the study, this thesis does not investigate the US-China competition in trade practices. In fact, the key picture of the US rebalance policy to Asia is highlighted by the US interest in securing economic opportunities by increasing its influence through establishing the rules-setting game of regional trade and investment.

<sup>115</sup> According to the Channel News Asia (“APEC Cautiously Supports,” 2014), Beijing has compromised its proposal of using “feasibility study” in the wording following US objections. It quotes a US official, saying Washington objected “because when you use the word feasibility study, it’s used in trade talks as implying the launch of a negotiation towards a free-trade agreement” (para. 3). In addition, the APEC leaders’ Declaration does not target any specified time for realising the FTAAP (APEC, 2014a; 2014b).

<sup>116</sup> There is news on the US-China rivalry at the 2014 APEC forum, especially related to the US intention to thwart China’s proposal of establishing the FTAAP. Two articles are worth viewing, as examples: Rajagopalan & Martina (2014) and Davis (2014).

In light of the above perspective, the US economic rebalance will help the US not only accommodate its strategy to closely engage with Asia, increase its exports and secure investment opportunities in the region while restricting Chinese influence, but also minimise US vulnerabilities towards China's economic practices. In this regard, the US, in the long run, seeks to shape China's economic practices. It is in the US' interest that the economic rebalance able to construct regional economic standards, rules and practices and more importantly, is able to shape China's economic practices to be in conjunction with the game played by the US.

The US withdrawal from the TPP, however, has led to a possible lost of US chances to augment the US rebalance policy. First, the TPP will give the US leverage to dominate and clear its way to control a regional economic bloc under the US influence. This was likely to happen as the TPP had set up uneasy precondition to allow China joining in. Secondly, for such a big trade bloc, the TPP would be able to set a norm and condition in the region. In the long run, the TPP would be helpful in shaping regional economic practices that suit US' interests. In this regard, the US has long complained that some of China's economic practices have harmed US' interests. These practices include China's Renminbi devaluation, China's government's discreet intervention on export subsidies and investment, intellectual property rights violation, and prolonged trade deficit incurred by the US' side (Chen, 2014). While bilateral talks have been held between the US and China to settle this distrust, but with China's lack of commitment to improve its practices, the TPP might fill in the gap. Indeed, the withdrawal from the TPP has caused the US to lose a chance to set a norm setting in the region. The withdrawal has also led to the possible halt of the process of the TPP. This will offer China a more room to accelerate the establishment of its regional free trade bloc. In the end, China will have more leverage and chances to augment its economic role that will potentially outmanoeuvre the US in the region.

Another US concern is China's 21<sup>st</sup> Century Maritime Silk Road plan. Similarly, the AIIB has also highlighted China's increasing influence in financial and economic realms. Indeed, the Silk Road fund and the AIIB have the potential to pose direct challenges to the traditional primacy of the US-dominated financial and trade institutions in the region, including the International Monetary Fund, World Bank and the Asian Development Bank. It is widely known that these

institutions have in part helped sustain US pre-eminence and influence in the region over the decades. China's Silk Road and the AIIB projects have presented alternatives for the region and significantly challenged the already existing US dominance.

In the end, it is not only about economic influence, China's moves in granting economic packages also carry an element of bidding for political influence. Thus, some observers, who see China's moves as a threat to the US, reveal a rivalry between both powers in terms of what is called the "Beijing Consensus" versus the "Washington Consensus" (Ortmann, 2014; Grant, 2011; Shobert, 2011; Yao, 2011; Zhao, 2010).<sup>117</sup> The Beijing Consensus is equated as a China Model to suggest that Chinese economic development, derived from its distinct political system can be an example for others. In other words, the competition will be between China's authoritarian state capitalist model versus US' market-based liberal democratic model.

In the long run, while debates on which model – China's or the US' – will prevail, or on whether the consensus competition does exist, remain,<sup>118</sup> most observers agree that China has been gradually exploring and adjusting the Western capitalist liberal model in accordance with its own character. Undeniably, in the process, both nations have been in a contest which is largely aimed at cultivating influence and winning over states in the region, while they still engage in interdependent economic cooperation. As their economic interests are both congruent and competitive, the two powers will remain to engage each other both cooperatively and competitively in the region. Indeed, several elements of

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<sup>117</sup> The debate over the China Consensus or China model began when Ramo (2004) used 'the Beijing Consensus' to describe China's unique development approach as different from, and an alternative to, 'the Washington Consensus' in John Williamson's 1989 paper (Williamson, 2004). According to Ramo (2004), the Beijing Consensus has three main aspects: a commitment to innovation and commitment to reforms; an emphasis on sustainability and equality, not only based on GDP per-capita; and a commitment to self-determination. Nevertheless, Ramo's classification encounters serious challenges by other scholars. A critique was provided by Kennedy (2010) who argues that technological innovation was not really the basis for China's rapid growth. Instead, at the initial stage of its economic development, China had imported most of the advanced technology and relied on industries of low manufactured products. Furthermore, despite recent moves for innovation and research development, Kennedy argues, under the current Chinese closed system, the transfer of knowledge as a basis of innovation is still difficult in China. Kennedy further notes that equitable development has just recently become an official goal while the reality is still far from expectation in which the divide between rich and poor as well as city and countryside is still growing. Moreover, environmental protection is often just a slogan and not a government priority.

<sup>118</sup> Such debates are well observed in, for examples, Ortmann (2014), Kennedy (2010) and Zhao (2010).

competition that both the US and China have displayed, especially in the Maritime Silk Road project and the AIIB, along with growing US' military activities and involvement in the region amidst China's increasing assertiveness, support the evidence of these rivalries. However, at the same time, the economic interdependence of both powers in the globalised system will continue to shape their cooperation, with both being vulnerable to one another's moves.

#### **4.2.2 The Impact of US-China interaction: Indonesia in the midst of the US' rebalance policy and China's rise**

The dynamics of US-China interaction create a delicate situation for other regional countries, including Indonesia, since it has the potential to generate both positive and negative consequences. As RSCT in Chapter 2 suggests, Indonesia and other countries in the East Asian regional security complex are going to encounter a direct impact from the probable competitive interaction between the two powers. In this respect, there will be two interrelated aspects. On the one hand, Indonesia's process of securitisation and *desecuritisation* are so intertwined with the regional dynamics that Indonesia's security problems cannot realistically be evaluated or resolved apart from US-China interactions. Here, the US-China competition has the potential to influence Indonesia's policy and interests. On the other hand, RSCT also says that regional states engage in interactive relations in the way that they move within a system and interact with each other within a condition that allows the states to influence and be interlinked to each other. In other words, the theory suggests that Indonesia also has the chance to influence the process and dynamics of the US-China competition in terms of issues related to the US-China relationship and Indonesia's interactions.

Thus, amid the dynamics of the US-China interactions, the US rebalance policy has some possible impacts on Indonesia.

*The US rebalance enhances a regional hedging strategy conducive to Indonesia's interests*

The dynamic of US-China military competition has two probable scenarios in the region. First, in the military competition the US and China need to intensify their regional presence to earn support and friendship. On the one hand, it will be in the US' interest to unite allies and like-minded countries to balance against China's

potential military threat. The US seeks to intensify and strengthen its regional alliances, including inviting more like-minded countries to participate in them. Through regional alliances and friendship, the US seeks to boost the competitive advantage of itself and its allies in the face of China's rise and more assertive military posture. Indeed, this has been expressed in Clinton's "six key lines of actions" (US Department of State, 2011, para. 21).

On the other hand, militarily, China has the potential to encounter more difficulties in earning regional friendships owing to its current stand-off over territorial disputes and overlapping claims with some countries in the region. China's increased military capability and assertiveness in the disputed SCS have attracted regional concern. In addition, its domestic nationalism is also central in influencing the Chinese government to take a strong position against neighbours under the pretext of securing its territorial sovereignty and integrity in the disputed claims. Indeed, nationalist sentiment will become a push for China's government not to compromise on its position over the disputed claims.

A preferable scenario from this dynamic, as suggested by the balance of threat theory, is that the region has the probability of seeing the growing interest of some countries in the region to ally with the US against the threat of China's assertive military. This is especially true for the countries that have experienced stand-offs with the Chinese military. US backing is believed to boost these countries' security and potentially deter China (Chalk, 2015). Accordingly, there are several logical consequences from this situation, including a zero-sum game atmosphere and a regional military build-up as well as the creation of a bipolar region, characterised by a conflictual tenor. All of the consequences potentially incite Chinese counter-balance actions, which could affect regional states.

However, the region might also see a second scenario: the US rebalance to Asia will bring an equilibrium that guarantees a balanced dynamic in the region. The US presence supports the region's hedging move against China to persuade China to embrace the region charmingly and attractively.<sup>119</sup> It is expected that the

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<sup>119</sup> Since the Asian financial crisis in 1997, for example, Beijing has begun to adopt several strategies of increasing its friendly foreign policy in South East Asia. It has sought to display policies that offer "win-win" relations, highlighting that South East Asians can benefit from their relationship with China as China also benefits from its relationship with them. China will not interfere in other's domestic affairs. In this respect, China has sought to convince its neighbours

consequence of US engagement in the region will lead China to pursue a response similar to that of the US which is to attract more regional friends in a bid to boost its national interests. In particular, China's intent to promote economic growth will be significant to shaping its charming and attractive character.

As Chapter 3 suggests, China's international conduct has been characterised by its objective to secure economic interests. Despite its military manoeuvres, China has a strong economic incentive to maintain peace and stability in the region for its economic interests. While nationalist sentiment is an important input, securing economic interests will be another input that could be a balancing factor in Chinese government's decision making. As the CCP has great influence and control over its people, nationalist sentiment tends to succumb to the government's agenda to first serve the national economic interest, and maintain peace and security in the region. This is because, as Chapter 3 suggests, economic growth has been the backbone of China's growing national comprehensive power. In addition, securing the vast economic development and providing for its citizens' welfare have been the CCP's basis for survival in domestic politics. The friendly approaches are decisive tools aimed at not only increasing Chinese economic influence but also easing the region's apprehension about China's military positions. In this logic, US' rebalance will help promote an equilibrium vis-à-vis China's rising power in a way that China is encouraged to adopt a peaceful policy in order not to be left into a corner in the midst of US' enhanced supportive engagement to the region.

In this regard, a hedging move consists of an element of what Paul (2004) labels as "soft balancing," which means "tacit balancing short of formal alliances. It occurs when states generally develop ententes or limited security understandings with one another to balance a potentially threatening state or a rising power. Soft balancing is often based on ad hoc cooperative exercises, or collaboration in regional or international institutions; "these policies may be converted to open, hard-balancing strategies if and when security competition becomes intense and the powerful state becomes threatening" (p. 3). However, different from the soft balancing that potentially seeks for an isolation approach

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that they will benefit because China will not make demands on other nations' sovereignty, economic models, governance, or political culture (Kurlantzick, 2006; Leaf (2014).

towards a threatening source, a hedging move sees regional countries practising an engagement policy (instead of one of isolation) with China.

The US rebalance policy amidst the rise of China will enable Indonesia's hedging strategy to be relevant and applicable. The hedging strategy here refers to the country's close engagement with the US, whilst not to unnerving China by also keeping a close relationship with it. The close engagement with the US is aimed at generating bargaining power able to encourage China to join in a regional web of interdependence and to maintain a good and friendly policy towards the region. Failing to do so, as the balance of threat theory suggests, a threatening rising power will tend to pursue its hegemonic ambition. This is more likely especially when the others are not united, or opt to bandwagon with China and succumb to its demands. In this context, China's threat to the region would be more imminent and, especially for Indonesia, the prospect of China's bullying in the SCS would become more relevant since China's assertiveness, which could not be effectively challenged in the other part of the SCS disputes, will take a similar form against Indonesia. Further discussion will be in Chapter 6.

*The US-China competition leads Indonesia to have a minimalist strategy for maximal gains and resisting a total loss*

US-China competition leads Indonesia to take a middle position as a part of the hedging strategy. This positioning is also the spirit of the policy of the maintenance of regional dynamic equilibrium. As Chapter 2 suggests, the essence of the policy is to avoid antagonising the two powers by engaging both and taking a middle position. In reality, this middle positioning requires Indonesia to adopt a minimalist approach – being friendly with each of the parties to the extent that it avoids any act of antagonising either of them. As a result, Indonesia has the potential to have maximal gains, and avoid a risk of total loss.

The maximal gain here refers to the possibility of Indonesia participating in all cooperation and obtaining all the consequent benefits offered by both sides. This will be likely, as Indonesia will not have psychological hindrances owing to its maintenance of good relations and cooperation with both powers. At the same time, the complex nature of regional interactions with its growing interdependence has largely helped prevent either China or the US from pressuring Indonesia to take sides with either of the powers. This positioning will



avoid Indonesia suffering a complete loss should either of the powers be defeated or suffer losses. Similarly, Indonesia will also be secured if either of the powers has the tendency to harm its interests. In addition, the benefits accruing from Indonesia's cooperation and relations with one power is expected to offset any potential loss incurred from the relations with another power.

This minimalist strategy, which is encouraged by US-China competition, is relevant in the issue of the Natuna waters. Indonesia has displayed vigilance towards China's assertiveness in the SCS despite its growing bilateral relations with China. Indonesia has repudiated China's claims maintaining that Indonesia retains undisputed territorial integrity in the Natuna waters in accordance with the International Law of the Sea.<sup>120</sup> Yet, Indonesia may face a possible stand-off with China over this issue. As Chapter 3 suggests, Chinese military manoeuvres, which present a threat of bullying, have the potential to cause Indonesia incurring losses. Indonesia's recent moves in the area, ranging from intensifying military vessels docking at the Natuna port and patrolling near the potential disputed waters, continued military drills, as well as the government's policy to grant special incentives for mainland people to move and reside in the Natuna Islands under a program called "transmigration" (Arifin, 2015), have displayed Indonesia's anticipatory measures amidst its concern over possible tension in the territory with China.<sup>121</sup>

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<sup>120</sup> Indonesia confirmed its rejection of China's claim by stating that the latter's nine-dashed line "lack[s] international basis" and therefore its purpose is "tantamount to upset[ting]" the 1982 United Nations Convention on the Law of the Sea (UNCLOS). In other words, Indonesia does not consider China one of its neighbours with which it must settle maritime boundaries (Arsana, 2012).

<sup>121</sup> Interestingly, the transmigration incentive has been the government's conventional way to increase the percentage share of Indonesian non-Chinese reside in the Natuna Island in which Chinese descendants have been a majority. Sukma (1999) argues that during Soeharto era (1967 – 1998), China's threat has been identical with three factors; threat from China's mainland (government of China), communist threat and Chinese diaspora in Indonesia. Some Indonesian military officials, at that time, believed a widespread issue that during his visit to meet Soekarno in 1960s, Mao, the Chinese revolutionary leader, discretely made a visit and talked to the people in the island to cultivate Chinese nationalism at the expense of their nationalism and loyalty to Indonesia. Following the fall of Soeharto, this China's threat faded away. Nevertheless, the need for maintaining and promoting nationalism among Indonesian Chinese – a voice of Jakarta's distrust on the local people there – has re-emerged, especially from military officials. The officials expect that the Chinese descendants on the island, remain to give their support and loyalty to the Indonesian government (Personal Communication [interview with the staff member of the Indonesia's Ministry of Defence], May 19, 2014). Under this light, consecutive governments have launched transmigration program with special incentives to new residents, mainly Javanese, who are willing to move to the Island.

The US rebalance has offered Indonesia more alternatives with which to face China's growing assertiveness. Indonesia's improving military cooperation with the US is beneficial as it potentially increases Indonesia's military leverage in the face of China's bullying. However, to pursue a minimalist strategy, the Indonesia-US relationship should not be envisioned to be an exclusive one at the expense of Indonesia-China relations. In this regard, despite being close to the US, it is expected that Indonesia will show China that it is not being dragged into any US-China containment policy. With particular regard to the SCS, Indonesia is likely to convince China that it is not taking sides in what Aileen Baviera calls "US-China maritime overlay" (Baviera, 2014). Engaging in exclusive military cooperation with the US alone and distancing from China's military cooperation are not going to entirely give Indonesia the incentive to boost its security amidst China's threat. In fact, an exclusive relationship with the US will risk China losing confidence in Indonesia's neutral position of not taking sides in any containment or encirclement effort against China.

In addition, it is in Indonesia's interest to ensure that the US is more than just physically present in the region. Indeed, the US' obvious commitment to have the will, patience and spirit to make an intervention in any regional crisis are necessary to promote regional stability. Trump's transactional policy that requires more burden-sharing among regional powers will require Indonesia to make more efforts to promote closer relations with the US. In this regard, Indonesia's active participation in support of international and regional stability is also required in order to cement US commitment. Indonesia can most effectively handle China's threat when it can credibly claim that the US military is not only present, but it is also willing to intervene in Asia and to secure the freedom of international navigation and transportation.

In addition, as discussed in Chapter 3, Indonesia's main problem in maintaining its regular patrols is caused by insufficient finances to maintain and operate military equipment. To solve the problem, Indonesia can seek to incorporate the support of China and the US. It is believed that the US-China competition for influence leads both powers to display attractive moves and secure cooperation with others. In this respect, Indonesia can secure the US and China's cooperation in the maintenance of peace and security in Indonesian territory in the SCS, including the Strait of Malacca. While Indonesia has been

reluctant to invite international participation in the patrols of its territories due to the sensitive nature of sovereignty, Indonesia can patrol the area by getting financial and technical support from all relevant countries that have an interest in the security of international navigation in Indonesia's territory. In this regard, Indonesia can seek support from the US and China, along with other external powers, especially Japan, South Korea and Australia. By and large, in addition to the deterrence factor and financial assistance, Indonesia can seek US support in the forms of intelligence, technologies and training. At the same time, Indonesia can also seek from China the same support to fill Indonesia's capability gaps.

In this respect, the minimalist strategy has offered the possibility of developing cooperation with the US and China for the modernisation of the Indonesian military. In a recent development, Indonesia has pursued a strategy of working towards the expansion and modernisation of its armed forces by setting a goal of reaching a Minimum Essential Force (MEF) in 2024.<sup>122</sup> Indeed, the MEF is devised to modernise Indonesia's defence equipment to the level of minimum force necessary to preserve Indonesian sovereignty and territorial integrity.

As a matter of fact, in addition to engaging China in the last 10 years, Indonesia has also approached the US with the signing of the Indonesia-US Comprehensive Partnership in 2010. Alarming by regional uncertainty and following the relieving of the US military embargo, Indonesia approached the US to re-establish bilateral defence cooperation. Indonesia continues to receive US military aids which are channelled through Foreign Military Financing program and International Military Education and Training (IMET). Their bilateral defence cooperation is cemented by annual military meetings since 2002. The meetings include the Indonesia-United States Security Dialog (IUSSD) and the United States-Indonesia Bilateral Defense Dialog (USIBDD) which interspersed with the IUSSD.

Furthermore, President Jokowi's doctrine of "the world maritime axis" or the "world maritime fulcrum" evoking Indonesia's plan for the development of massive maritime infrastructure, needs the support and participation of other

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<sup>122</sup> The Presidential Directive No.7 of 2008 (Perpustakaan Nasional RI, 2008) defines the MEF concept as a force level that can guarantee the attainment of immediate strategic defense interests, where the procurement priority is given to the improvement of minimum defence strength and / or the replacement of outdated main weapon systems / equipment.

countries.<sup>123</sup> At the same time, China's plans for the Maritime Silk Road and the AIIB appear to be in support of such plans, especially aimed at the development of port and maritime infrastructure in the region. In this respect, Indonesia can seek China's financial support for implementing the doctrine. So far, the Asian Development Bank (ADB) has also expressed its readiness to finance Indonesian ports and other maritime infrastructure (Rastika, 2015). There is, however, an atmosphere of competition between China's plan and the ADB in this offer. While seeking China's financial support, Indonesia can also seek US or its allies' participation in providing technological and experts. Involving more than one party in the implementation of Indonesia's maritime axis is important for maintaining the balance and preventing Indonesia's dependence on either side. Of course, to involve others, by being minimalist, Indonesia should inform China as the financial supporter, and potentially Indonesia could encounter China's opposition. However, given others' enthusiasm to financially participate (like the ADB), Indonesia can rest assured that it has the bargaining position to determine that the output of the negotiations will suit its interest and agenda, including to invite other players.

Last but not least, over the last 10 years, besides promoting relations with China, Indonesia has agreed to establish several economic forums to promote its bilateral relations with the US. The forums that facilitate dialogues and economic cooperation include the US-Indonesia Trade and Investment Dialogue, Commercial Dialogue, and the Overseas Private Investment Corporation (OPIC). Indonesia welcomes US initiatives to establish the Global Entrepreneurship Program (GEP) to encourage the interaction of Indonesia and US business community. With US\$ 23.8 billion of trade volume in 2015, the US was Indonesia's fourth biggest trading partner after China, Japan and Singapore (Indonesian Ministry of Trade, 2016a). Similarly, as of November 2015, the total US investment in Indonesia reached US\$ 13.54 billion. This figure reflects an increase of 39.6 percent from the total US investment in 2009, which amounted to US\$ 9.7 billion, and the increase of 28.95 percent from the total US investment in 2001 accounted for US\$ 10.5 billion (US Department of Commerce, 2015). In a

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<sup>123</sup> At the APEC Summit in Beijing in November 2014, Jokowi made it clear that Indonesia needs foreign investment to build the country in various fields including maritime infrastructure. His speech can be accessed at YouTube (Joko Widodo, 2014).

deal signed during Jokowi's visit to the US in October 2015, the US was committed to add its investment portfolio reaching US\$ 20.3 billion in various sectors mostly power plants, the extension of the Coca-Cola Company, railways and health ("Jokowi Signs," 2015). To develop bilateral trade and investment cooperation, Indonesia and the US have established the Trade Investment Council (TIC) at the ministerial level. The council is aimed at discussing, identifying and solving any related issue in trade and investment cooperation between both countries (Executive Office of the President of the US, 1996).

Indonesia's limited financial capability to support its development helps shape the country's approach to the US and China. In fact, for example, the concept of the Minimum Essential Force (MEF) has suggested that the use of the word "minimum" refers to limited funds and priorities of the government. In addition, Jokowi's doctrine of the world maritime axis with its five pillars requires a huge amount of resources, financial support, and technical and technological expertise that Indonesia alone will find it hard to provide.<sup>124</sup> Therefore, by balancing and establishing a minimalist strategy, Indonesia has a greater chance of approaching many powers to seek military, security, economic and technical cooperation. Being a minimalist, Indonesia will not depend highly on one particular side. Relying on one side will render the country dependent and more vulnerable towards sanctions, embargoes and the strategic pressures of others.<sup>125</sup>

*China-US military competition contributes to the escalation of military tensions in the SCS harming Indonesia's security and economic interests*

In addition to the two positive impacts previously described, China-US military competition has the potential to create threats impairing Indonesia's security and economic interests. In this respect, the threat will be the escalation of military tensions in the SCS, not only between South East Asian countries on the one side and China on the other, but also among South East Asian countries. The escalation will breach regional stability and security.

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<sup>124</sup> Indonesia's maritime fulcrum projects require a great amount of funding. Estimates by McKinsey & Company, a global management consulting firm, suggest that Indonesia needs to invest at least US\$600 billion over the next ten years to improve the country's infrastructure (Lin, 2014).

<sup>125</sup> More discussions on how Indonesia has engaged both powers in the realm of hedging and minimalist policies, which are promulgated as the maintenance of dynamic equilibrium, will be discussed further in chapters 6 and 7.

In this respect, US-China competition is one of the key factors driving the possibility of an escalation in tensions. While the possibility of major military clashes in the SCS is less likely, military incidents between them, as have happened previously, are not impossible, especially with the increased response by the US Navy in areas claimed by China. A recent development that saw China's move to militarise the SCS through enhanced military deployments on its artificial islands near the disputed Spratlys (Buckley, 2016), indicated a worrisome possibility that military incidents between both powers might continue.

In addition, there is the possibility of escalation driven by US and China's support for and / or selling of weapons to South East Asian claimants. The US military umbrella has helped some countries to get access to more weapons. Currently, this might be more possible through the US waiving some of the prerequisites that it had previously enforced. With its rising military power, and the less strict no-strings attached policy of weapon selling than has been commonly applied by the West and the US, China has the potential to be another alternative source for weapon in the region. Indeed, both the US and China are influential in supporting the military build-ups of some countries.<sup>126</sup> These build-ups have the potential to enhance regional countries' confidence in responding to others' perceived military aggressiveness and at the same time, provoking and alarming others to develop their militaries.

Furthermore, the dynamic of regional armament gains more focus in light of the current US military budget cuts. The cuts suggest the US needs its allies and like-minded countries to pursue build-ups, including by purchasing arms or getting technical support from the US for increasing weapons capabilities. This is currently relevant as the US has displayed its willingness to allow allies such as Japan and South Korea to participate more in taking responsibility for the maintenance of regional peace and stability through increasing their defence postures. Plausibly, these dynamics will have the potential to lead to an increase in regional defence spending and a military build-up.

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<sup>126</sup> While the US has been a traditional supplier for most countries in East Asia, China is increasingly offering military support to some countries. Some analysts noted that China has been the third largest weapon exporter in the world and doubled its weapon sales over the past five years (Zhou, 2016). Through an economic loan, China sells its military devices, for example, MA-60s transporter to Myanmar ("China Selling," 2011), and fighter jets to Cambodia (Reaksmey, 2016). Recently, Indonesia has also engaged in cooperation to acquire Chinese weapons (more discussion will be in Chapter 7).

Nevertheless, it is envisioned that, given several factors, including the current economic interdependence in the globalised world, the strategic importance of each of the SCS claimant parties on each other, and equally important, the interest of both China and the US in maintaining the stability of the region, the tensions will not escalate into a large scale conflict in the region. If an escalation does occur, it will not be as a result of the absence of a balancing strategy with its minimalist approaches as previously suggested. The escalation might happen due to miscalculations and provocative conduct on the ground. Incidents are also likely to occur following strong rhetoric from the leaders to exploit nationalist sentiment. This will be more likely following upgrades or an increase in military capabilities of regional countries due to either or both their military build-up and the support of external powers, especially the US and China.

In the end, if the escalation of tensions in the SCS occurs, it has the potential to spill over and interrupt Indonesia's political, security and economic interests. First, in terms of political and security interests, Indonesia seeks to secure its territorial integrity and sovereignty, especially in the Natuna waters, which will experience a direct impact if any conflict occurs in the SCS. This conflict will have two side effects for the Indonesian government. One is that it is a good card for the government to exploit nationalist sentiment to garner political support. The other is a warning that any position compromising Indonesian territorial claims will risk domestic condemnation and be a political nightmare for leaders at home. At the same time, leaders will also see an outcry by the business community that suffers losses and ultimately demands an end to the conflict.

The Indonesian government thus needs to manage the interplay of nationalist sentiment on one side, which requires an effort to win or at least to avoid a loss in any conflict, and on the other side, the business community and other like-minded groups who will demand a halt to the conflict immediately. Undeniably, both demands share a similar objective, which is not to see the country suffer losses. Failing to serve the demands will create a good cause for the political opposition to slam the government. To this end, the government needs to strengthen Indonesian military resources to secure the area. This, though, will exploit and sap great amounts of Indonesia's resources including finance and

energy, while the nation has other wide areas of coastal borders throughout the country that also require attention.<sup>127</sup>

Secondly, escalation also has the potential to interrupt Indonesia's economic interests, including in trade passing through the SCS and Indonesia's oil production at several blocks in the Natuna. The immediate impact will create disruptions to Indonesian trade with some East Asian and North American partners.<sup>128</sup> Not only is it potentially going to interrupt and halt the trade activities with some of the East Asian partners, any conflict will also cause a change in Indonesia's trade route to the US and Canada. Consequently, in addition to the possibility of losing export markets in East Asia, any conflict will also increase the costs of production which, in turn, will reduce the competitive advantage of Indonesian exports to the US and Canada. Added to this, Indonesian industries relying on imported materials passing through the conflict area will experience similar troubles.

Any conflict will also incur losses to Indonesia's oil and gas production in the Natuna blocs. Currently, Indonesia has explored and operated gas and oil fields in several blocs within the EEZ around Natuna Island. The Indonesian government has appointed *Pertamina* (the Indonesian state owned oil and gas company), together with several companies including Exxon-Mobil, Total SA and Thailand's PTTEP as well as the British Premier Oil to develop the gas field in Natuna (Batubara et al., 2014). The Natuna gas field is located about 1,100 km (700 miles) north of Jakarta and 225 km (140 miles) northeast of the Natuna Islands.<sup>129</sup>

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<sup>127</sup> With around 13,000 islands (about 6,000 of which are inhabited), Indonesia has 1,910,931 square kilometres of total land area and another 93,000 square kilometres of inland seas (Indonesian Statistic Central Bureau, 2012). Lying between the Pacific and Indian Oceans, Indonesia is located in a strategic place, but is also vulnerable to the encircling of external threats, which require it to strengthen the security of its borders.

<sup>128</sup> In 2013, Indonesian total two-way trade relations with internal East Asian partners (the other nine ASEAN countries and China (including Hong Kong and Macao), Japan, North Korea, South Korea and Taiwan) amounted to US\$ 231.5 billion. From the total trade, Indonesian exports reached US\$ 110.3 billion (Indonesian Ministry of Trade, 2014). In addition, Indonesian total trade with the US alone accounted for around US\$ 28 billion. From this total, Indonesian exports to the US reached US\$ 18.9 billion (US Census Bureau, 2014c). With Canada, Indonesian total trade reached US\$ 2.8 billion. From this data, Indonesian export accounted for US\$ 782.3 million (Indonesian Ministry of Trade, 2014).

<sup>129</sup> The Natuna gas field was discovered in 1970 and is thought to be one of the biggest in South East Asia with an estimated 46 trillion cubic feet (tcf) of recoverable reserves, or almost one-third of the current total Indonesian reserves (Azwar, 2013).



### 4.3 Conclusion

Through the rebalance policy, the US has displayed an intensified presence in the military, political, security and economic realm in East Asia. The US rebalance policy comes in the midst of its budget constraints and the change in the US presidency from Obama to Trump. In view of the US military and economic interests and region's significance to support these interests, the US' rebalance policy despite the budget constraints and a new president remains the same: to bring the region closer to and make it more supportive of the US.

The rebalance policy has led the US to directly encounter an emerging China with its intensified power, increasing interests and activities in the region. Their encounters have been diverse, but are mostly interpreted in the dynamic of competition – a contest to win influence and dominance over regional countries. In this context, the US' rebalance policy potentially enhances Indonesia's regional hedging strategy and improves Indonesia's chance to have a minimalist strategy for maximal gains and defying a total loss. In addition, the rebalance policy also enhances military competition with China that contributes to the escalation of military tensions in the SCS harming Indonesia's security and economic interests.

The US military presence has been highlighted in several strategies including the intensification and improvement of its military facilities and the maintenance of its troops' presence, as well as the improvement of the quality and quantity of weapons platforms and systems operating in the region. These efforts are largely aimed at highlighting US security commitments to its allies and securing freedom of navigation and transportation in the region. Added to this are US approaches to garner support and friendship with like-minded regional countries. The approaches have unnerved China because of their tendency to contain China's military development. In the end, China-US interaction has presented the dynamic of action-reaction that furthers the element of competition between both powers.

At the same time, US economic engagement has been obvious in exerting influence and in ensuring the US is not excluded from regional economic blocs. The US has an interest in maintaining and developing economic relations with the region, especially in view of the region's significant contribution to US economic interests. The US pursues its economic interest through two main strategies:

participating in the APEC forum and maintaining bilateral free trade agreements with selected countries in the region. Similar to the dynamic in the military realm, US economic strategies have encountered China's active economic manoeuvres which are also aimed at garnering regional support and influence. Indeed, China has actively promoted the establishment of the FTAAP, RCEP and the AIIB. As well, China's plan for the Maritime Silk Road further enhances its strategy. China's strategies, which are built on the premise of the "Asia-Pacific Dream" and the "shared spirit of Asia" or "Asia for Asians," have the potential to reduce the US influence in the region.

Amid the rise of China, the US rebalance policy has several impacts on Indonesia. On the one hand, it offers Indonesia an alternative that provides a means for regional strategic hedging which is conducive to Indonesia's interests and Indonesia's minimalist approach strategy. In fact, both the US presence and China's rise are functioning as a counterweight against each other that helps the region, including Indonesia, develop hedging and minimalist strategies which are significant for the maintenance of equilibrium. In this respect, a hedging strategy, which also combines a soft balancing move together with an engagement policy (instead of an isolationist approach) with China, enables Indonesia to develop and reach a set of purposes. The purposes include deterring an escalation in China's military assertiveness to enable Indonesia to gain benefits from both parties while avoiding maximal losses. Yet, Indonesia's minimalist strategy in the aftermath of Obama administration, especially under President Donald Trump with his transactional policy, will require more Indonesia's efforts to attract US to not only be physically present, but also has a serious willingness to continue to be a balancer power in the region. In this light, the US rebalance policy will be able to support Indonesia's minimalist and hedging strategies.

At the same time, the US-China competition also triggers the likelihood of an escalation in tension and possible conflict in the SCS. This dynamic presents Indonesia with a looming threat. Any conflict could spill over and impact on Indonesia's territorial stability, especially in the Natuna waters. In addition to political and security issues, any conflict would also cause economic losses due to the interruption of Indonesia's trade, as well as oil and gas production in the Natuna area.







## **Chapter 5: Japan's Foreign and Defence Policy in East Asia and Its Impact on Indonesia**

This chapter analyses the impact of Japan's policy on Indonesia, especially in relation to the former's transformation in the midst of China's rise and the US' rebalance policy in Asia. The chapter thus investigates the impact of Japan's transformation in relation to Japan-China and Japan-US interactions. Given the wide scope of this discussion within a limited writing frame, it is restricted to those aspects that have a direct impact on Indonesia's interests. The chapter argues that while some negative ramifications are possible, the transformation of Japan's policy and its increased interactions with the US and China in the region are largely able to deliver positive impacts on Indonesia, especially offering a chance for the country's pursuit of a hedging or even-handed policy.

### **5.1 The Transformation of Japan's Policy in International Affairs**

Today's Japan has been experiencing a transformation in its foreign policy from a conspicuously low-profile during the Cold War era to a more assertive role in the region (Shuja, 1999; Tanaka, 2007; Samuels, 2007; Auslin & Green, 2007). Similarly, other scholars, like Hughes (2005), Tanter (2005), Pyle (2006), Auslin and Green (2007), Howe (2010), and Calder (2003) argue that Japan today has set to pursue its foreign and defence policies as a "normal" country. This means a departure from its previous policy and reflects the transformation in its strategic thinking driven by various factors ranging from fear of isolation, calculations about China's growing power and accommodation to the prevailing international power structure (Auslin & Green, 2007). The transformation has also been a result of encouragement from allies and the international community (Howe, 2010), as well as domestic nationalist sentiment (Calder, 2003). In this respect, while there has been a transformation in its military and security dimensions, Japan also pursues the intensification and expansion of its security and economic interests in the international arena, particularly in East Asia.

#### **5.1.1 Japan's military and security transformation: Towards a more proactive policy and armament**

Japan's military and security transformation is defined by two main features: the modernisation of its defence systems and a growing assertive military and security

role in international affairs. These two features can be seen in the content of Japan's basic defence policy document, the National Defence Program Outline (NDPO), which was compiled in 1976 and subsequently revised four times to become the National Defence Program Guideline (NDPG) in 1995, 2004, 2010, and 2014.<sup>130</sup> The compilation of the NDPO in 1976 was in large part influenced by Japanese domestic conditions and external influences ("Japan's National Defence Program Outline," 1976). Japan's post-World War II military and security policy had been heavily influenced by the US, which occupied the country until 1952. Under the US' patronage and supervision, Japan's pacifist constitution, which was enacted in 1947, renounced the country's right to be a belligerent state (Togo, 2005; McCargo, 2000).<sup>131</sup> The 1976 NDPO was the manifestation of this pacifist constitution. At this time, Japan's constitution required the country to maintain a militarily low-profile in the way that the country did not seek a rapid build-up of its military, and pursued "minimalist" defence systems. In turn, the 1976 NDPO featured Japan's reliance on the US' military and security umbrella for its national defence. In addition, the 1976 NDPO was formulated during the Cold War, when the US-USSR<sup>132</sup> rivalry largely shaped its content. Japan's support for the US' containment policy against the influence of the Soviet Union in the region was manifested in the document. During this document's formulation, neither China nor North Korean nuclear issues were perceived as security threats to Japan.

Changes in Japan's military and security focus, however, occurred in the amended NDPO, now called the NDPG. The first amendment was made in 1995. In this change, the collapse of the USSR in 1990 had shaped Japan's security environment. Ahead of the formulation of the document, nuclear proliferation on the Korean peninsula intensified and thus North Korea's nuclear issues and tensions in the peninsula emerged as new threats to Japan (Japan's Ministry of

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<sup>130</sup> Kaseda (2012) has also assessed Japan's military transformation from the changes in its NDPO. However, while this thesis uses all NDPGs, including the latest one issued in 2014, Kaseda's work restricted its analysis to the 2010 NDPG.

<sup>131</sup> Japan's constitution (Chapter II, Article 9) stipulates: "Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognised".

<sup>132</sup> The USSR, which stands for the Union of Soviet Socialist Republics, and the Soviet Union will be used interchangeably in this chapter.

Foreign Affairs, 2014). The 1995 NDPG was also formulated to accommodate Japan's role in the Gulf War in the 1990s. Restricted by its constitution, Japan participated in the war against Saddam Hussein only by contributing financial support to the US and its allies. Following the defeat of Saddam, Japan also sent a Self Defence Force (SDF) mine-sweeping force to participate in the UN Peace Keeping Operation (Kaseda, 2012). The 1995 NDPG outlined the need for Japan to contribute to international peace-keeping operations and participate in response to large-scale disasters (Japan's Ministry of Foreign Affairs, 2014).

The next change was obvious in the 2004-2005 NDPG. In addition to North Korea's possible threat, this NDPG was more explicit in mentioning both China's arms build-up and its assertiveness at sea as being a security concern for Japan (Japan's Ministry of Defence, 2004). One of Japan's particular concerns implicit in the formulation of this NDPG was the dispute in the East China Sea (ECS). Here, Japan encountered a range of issues. These were not simply related to the mitigation of tension, but also directly involved its sovereignty claims and national interests. In fact, the ECS disputes involve maritime boundary delimitation, ownership of the disputed islands, and exploitation of energy resources and fisheries between Japan and China (Kim, 2012).<sup>133</sup>

The status of Japan-China's stand-off in the ECS was related to their 1978 bilateral peace treaty. Following the treaty, both countries determined to "shelve" or put aside the ECS disputes for later negotiation (Dreyer, 2014). This meant that despite its disapproval, China understood that Japan had been occupying and controlling most of the sea including the disputed Senkaku / Diayou Islands, and China could temporarily tolerate it (Drifte, 2014). The "shelving" consensus has, however, been eroded owing to several issues ranging from fishing and other economic interests, to oil and gas motives, and the deterioration of the Japan-China bilateral relationship since the 1990s. Furthermore, owing to recurrent spats between the two countries, Japan has renounced such understanding of shelving the dispute by proclaiming that Japan has no disputed territories in the islands of Okinawa with China (Hagström, 2003). In this regard, Japan became suspicious of China's non-transparent military modernisation and the unilateral progress of

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<sup>133</sup> For a detailed review of the maritime boundary dispute in the East China Sea, see, among others, Park (1983) and Kim (2008).



Chinese oil and gas exploration in the ECS (for example, in the Chunxiao oil and gas field) despite disagreement over their common EEZ border.<sup>134</sup> The deterioration in bilateral relations has also been caused by China's anger over visits by Japanese political leaders to the Yasukuni war shrine, and other issues related to Japan's past aggression against China.

China's policy in the ECS dispute has demonstrated an incremental military assertiveness and growing intent to change the status quo in China's favour. In this respect, China's rise has augmented Japan's alarm about possible military clashes and encouraged Japan to be prepared as it will not be the only power capable of controlling and maintaining an exclusive claim in the ECS. Referring to the threats, the 2004 NDPG put attention on Japan's need to develop an efficient defence force, while at the same time continuing to rely on US nuclear deterrence. This document highlighted that Japan's Self-Defense Forces need to have a capability to respond to ballistic missile attacks by establishing ballistic missile defence systems (Japan's Ministry of Defence, 2004).

Equally important, a few years after the launch of the 2004 NDPG, remarkable changes in the structure of military and security institutions also took shape, whereby Japan's Defence Agency was converted to a Ministry of Defence in 2007 (Halloran, 2007). The change in defence nomenclature showed Japan's growing intention to improve its defence and military capability through more effective decision-making processes and to enlarge its defence and military team in the midst of increasing challenges and responsibilities. During this time, the Japanese government also started to engage in debates on whether the 1947 Constitution should be revised to enable Japan to take part in "collective defence," which has so far been construed as a violation of the constitution for its tendency to project a non-minimalist posture of Japan's defence and military (Hagström, 2008).<sup>135</sup>

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<sup>134</sup> Hsiung (2007), a China-based scholar, argues that Japan's objection to China's unilateral oil and gas exploration in the Chunxiao oil and gas field of the ECS is baseless because the exploration is on the Chinese side of the Japanese drawn "median-line." In his argument, Hsiung wonders why Japan should protest China's exploration as it is done in China's territory on which Japan has agreed through its own drawing of the median line. On the contrary, Japan argues that China's exploration in the area potentially "sucks out Japan's resources with a straw." Japan raised the issue that based on a seismic survey, the deposits under development by China, despite lying under China's territorial bed, potentially extend into Japanese economic waters (Brooke, 2005).

<sup>135</sup> The debate was centred on the reinterpretation of Article 9 of Japan's 1947 pacifist constitution. Renouncing the right to be a militarily aggressive power, Article 9 considers that performing a

The next NDPG revision in 2010, continued to highlight several regional dynamics as threats to Japan, ranging from China's arms modernisation and its growing non-transparent military budget, North Korea's nuclear proliferation and security tensions in the Korean peninsula, to security issues in marine areas important to Japan's trade interests. The document also mentioned the increasing role of China and the importance of the US' continued presence amidst its relative change of influence in the region (Japan's Ministry of Defence, 2010). In this document, while maintaining a close alliance with the US, Japan recognised that its security depended first and foremost on its own efforts – a slight contrast to its previous position that relied heavily on the US' military and security umbrella. The 2010 NDPG also stated the establishment of a first ever body in the Prime Minister's Office that will be responsible for national security policy coordination (Japan's Ministry of Defence, 2010). In a departure from its previous guidelines that maintained the traditional defence concept of a "basic defence force," the 2010 NDPG suggested that Japan needed to develop a 'dynamic defence force' that possesses readiness, mobility, flexibility, sustainability, and versatility. This new concept stimulated greater modernisation in Japan's military. The 2010 NDPG also highlighted the need for Japan to adapt to growing challenges in the security of international sea lanes, which Japan's trade and economy are dependent on (Japan's Ministry of Defence, 2010). In addition to being a rationale for its ongoing build-up of naval power including sophisticated vessels, submarines and patrol ships, threats in international waters have also been a reason for Japan's overseas deployment in the fight against sea piracy in waters far from its coast, such as in the waters off Somalia (Reynolds, 2009).

Similar to the 2010 NDPG, the 2013 NDPG, enacted in 2014 (which is then called the NDPG 2014 and beyond), continued to highlight the potential threats of the same security dynamics surrounding Japan. The document referred to China's assertive military moves and nuclear proliferation as threats to Japan and international peace. The ECS dispute still looms large in this document. In fact, tensions in the area increased. A bilateral joint development of some areas in

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'collective defence', entailing a provision to support allies in a war mission, is unconstitutional. Japan's government, under Prime Minister Shinzo Abe, then sought to change the government's interpretation of Article 9 during his 2006-2007 first stint as a prime minister, but failed to draw up the bills by the time of his resignation in 2007 (Yoshida, 2015).

the sea, agreed to in 2008, could not progress well due to tensions that arose in 2010, especially over the issue of Japan's detention of a Chinese captain who rammed Japan's Coast Guard vessel in disputed waters near the Senkaku / Diaoyu Islands (Hayashi, 2012; Mizokami, 2010). In addition, China's launch of its ADIZ (Air Defence Identification Zone) in November 2013, following Japan's purchase of three islands in the sea in 2012 (Takenaka, 2012), added to the existing rivalries between both countries in the region.<sup>136</sup> Not long after the issuance of the 2013-14 NDPG, Japan's 2015 Defence White Paper was released which highlighted in stronger language that China has been Japan's main security threat (Gady, 2015; Kameda, 2015). Unsurprisingly, the latest Japanese White Paper released in 2016 reemphasises a similar threat from China's reinforcement of its military capabilities (Japan's Ministry of Defence, 2016). In this sense, the 2016 White Paper has also come to emphasise Prime Minister Abe's aim to keep modernising Japan's military and enhancing its international assertiveness.

In the latest development in the ECS, China and Japan have seen increasing pressures on each other. More worrisome for Japan were two actions by China which could potentially change the status quo in the latter's favour. First, China's construction of two massive coast guard vessels equipped with more sophisticated arms potentially enables China to perform "rights protection" operations far from shore and drive away others in the sea (Hornung, 2015a). The second development was that China reportedly plans to build two bases in China's Wenzhou and Nanji islands, which are close to the disputed Senkaku Islands ("China Plans to Build," 2015; Hardy and O'Connor, 2015). The new bases will help strengthen China's ability to conduct surveillance over the Senkakus on a regular basis. More importantly, both China's new bases are closer to the islands than US and Japanese forces stationed on Okinawa, which is 400 kilometres further north (Hornung, 2015a).

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<sup>136</sup> While the launch of China's ADIZ is not unique, since it has also been practised by other countries including the US, Japan, and the European countries, for some observers, China's move has reflected its non-sensitiveness towards the effort to mitigate tensions in the disputed area. In addition, pundits also criticised Beijing's failure to adequately consult with or even inform other nations well before the action was taken. Some observers also denounced China's demand that any foreign aircraft entering China's ADIZ file a flight plan with Chinese authorities, even if they have no intention of entering Chinese territorial airspace. Equally important, China's ADIZ has caused Japan to intensify and increase its protests because the area covered in China's ADIZ also includes disputed territories. See, for example Medcalf (2013) and Erickson (2013).

Obviously, by leading the country to proactively contribute to peace and engage more in military modernisation (Japan's Ministry of Defence, 2013a), Japan's 2014 NDPG had anticipated the increasing threat to Japan's interests. In other words, this document informed Japanese foreign policy makers to contribute more actively than ever while more actively pursuing its own security in the midst of the growing Chinese threat. More military modernisation is meant to improve "the mission-capable rate of equipment and its employment to conduct tailored activities swiftly and sustainably based on joint operations, as well as by developing defence capabilities adequate both in quantity and quality that underpin various activities to realise a more robust defence force" (Japan's Ministry of Defence, 2013a, p. 7-8).<sup>137</sup>

Similar to previous efforts, during his second premiership, PM Abe proposed changes in the interpretation of the constitution to allow for the exercise of the right to collective self-defense. In 2015, despite divided views in the community, the Japanese upper house, following approval in the lower house, approved Abe's proposal which later became a new bill reinterpreting Article 9 ("Japan Upper House," 2015).<sup>138</sup> Under the new bill, in addition to a permanent law for the operation of Japan's overseas military missions, the country is also allowed to use the right of collective self-defence to support an ally country if Japan's "survival" is at stake, and on the condition that the use of force is kept to the "minimum necessary" (Yoshida, 2015).<sup>139</sup> Japan's intention to reinterpret Article 9 in this period has been an important departure from its minimalist military intention as envisioned in the 1947 Constitution.

The changes in the substance of the NDPGs from time to time have come with various features that portray Japan's enhanced defence capabilities and

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<sup>137</sup> Japan's unveiling of an Izumo-class helicopter destroyer (a 22DDH-class destroyer, which has been declared as a helicopter carrier) in 2013, for example, is the biggest Japanese ship fielded since WW II. Despite repeated Japanese claims that it is for a defensive purpose, the destroyer is obviously projecting enhanced military capabilities (Keck, 2013).

<sup>138</sup> In July 2014, three Japanese national dailies took polls which showed that at least half of the respondents opposed the idea of Japan's exercising its rights to collective self-defense, with only a third or fewer in favour. In addition, thousands protested around the parliament to oppose the idea (McLannahan and Juji, 2014). Several media also reported that Abe's ambition to reinterpret Article 9, especially to accommodate the right for collective self-defence, encountered much opposition from the Japanese people (Japan's Abe Seeks," 2015; "Japan PM Shinzo Abe," 2015).

<sup>139</sup> Following the lower house's approval in July 2015, PM Abe's bill on the reinterpretation of Article 9 was brought to the upper house to be decided ("Japanese Law Could," 2015). In September 2015, the upper house approved the proposal.

security roles in the region. It is clear that regional security dynamics, highlighted by China's rise, North Korean nuclear proliferation, and disputes in the ECS, are the determinant factors that influence Japan's threat perceptions.<sup>140</sup> In addition, as discussed in Chapter 4, the US' request for burden sharing and responsibility in regional and international order has encouraged Japan to expand its military and defence capabilities, as well as to participate more in the maintenance of international peace and security. Equally important, encouraged by Abe's government, some domestic aspirations for Japan's need to rearm and to live as a militarily normal country have also gained traction (He, 2013; Howe, 2010; Hook et al., 2005).

Some of the latest NDPGs have described Japan's increasing intention to be able to project its power abroad. Japan seeks to convert its self-defence capabilities into a mobile force able to be deployed for overseas operations. This intention has been implemented through Japan's acquisition of several weapons and defence systems, for example, 50-tonne M-90 main battle tanks (MBT), lighter weight 44-tonne TK-X MBTs, which are more easily transportable within and outside Japan, and CH-47JA transport helicopters. Japan has also shown an interest in acquiring 300 kilometre range shore-to-shore missiles for the defence of off-shore islands, having originally been denied these in the 2004 NDPG (Hughes, 2009).

Equally important, Japan's Ground Self Defence Force (GSDF) established a Central Readiness Group (CRG) in 2007, combining the elite 1<sup>st</sup> Airborne Brigade; 1<sup>st</sup> Helicopter Brigade; 101<sup>st</sup> NBC (Nuclear, Biological and Chemical) Protection Unit; and Special Operations Group (SOG) (Hughes, 2009). The CRG was new for Japan aiming to function as a rapid reaction force for coordinating nationwide mobile operations including despatch of personnel for overseas missions. In addition, Hughes (2009) has also observed that Japan's Air Self Defence Force (ASDF) power projection capabilities have been strengthened through the procurement of the F-2 fighter-bomber, and through gaining for the first time an inflight refuelling capability with the procurement of four KC767 tanker aircraft (the first delivered in February 2008). The ASDF is upgrading its

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<sup>140</sup> In fiscal year 2014, for example, Japan scrambled fighter jets 943 times, a 16 percent increase over Fiscal Year 2013 due to increased flights by Chinese fighters near the disputed Senkaku/Diaoyu Islands in the ECS (Tiezzi, 2015c).

E-767 AWACS radar to improve capabilities to counter cruise missiles. Furthermore, since 2013, Shinzo Abe has sought to significantly increase Japan's defence spending to acquire surveillance drones, fighter jets, naval destroyers and amphibious vehicles to counteract China's growing military activity in the region (McCurry, 2013).<sup>141</sup>

In addition to military modernisation, the NDPGs have demonstrated Japan's intention to be more involved in international affairs. While during the Cold War Japan did not want to take a regional leadership role (Maswood, 1994), some of the latest NDPGs show the extent of Japan's intent to be more regionally active and constructive.

Japan's engagement in the region has been considered inconsistent owing to its ambivalence between being either "Asianist" or "Internationalist" – two different focuses between being a regional power in Asia or being a global power seeking international outreach and influence (Shoji, 2012). Binh (2012) also doubts whether Japan is really committed to a focus on security and political fields in its international affairs, be it in the world or in the region, as Japan has displayed a prolonged ambivalence in this regard. However, Japan's desire for a more active foreign policy has been projected through some moves in its regional engagement multilaterally and bilaterally.

Multilaterally, Japan is a member of the ASEAN Regional Forum (ARF) and the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus). In addition, Japan has actively developed ASEAN+1 (Japan) and ASEAN+3 (China, Japan and South Korea), as well as the East Asia Summit. A symbiosis works between Japan and regional states. It is reflected in their growing interaction and incremental shared interests in the region's multilateral organisations. Japan's role grows important as its abundant financial resources remain vital to support the implementation of many regional agendas, including promoting regional integration and efforts against non-traditional security threats (Mission of Japan to ASEAN, 2015). The dynamics of the region with its economic and strategic advantages amidst a rising China provide Japan with export markets, raw

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<sup>141</sup> Japan's defence budget in 2015 reached US\$ 41.12 billion, an increase of 0.8% from the previous fiscal year. The increase was smaller than the 2.8% requested. Nevertheless, the new budget of 2015 marked the third year of increased spending after a decade of cuts (Umezu, 2015; "Japan Approves," 2015).

materials and important sea lanes, as well as partners that have constitutive and congruent interests. While intensifying its focus in the region, Japan's foreign policy continues to act as a bridge between the US and Asia, and to orient a regional foreign policy which is convergent with the US (Takenaka, 1995; Maswood, 2001). In addition, Japan's engagement with the region seeks to develop a regional architecture which promotes peace, stability and security through dialogue and cooperation. In this respect, Japan sees the growing importance of regional organisations, especially the ARF and the ADMM-Plus, to channel its intentions, reduce uncertainty and promote confidence-building measures (Mission of Japan to ASEAN, 2015).<sup>142</sup>

In addition to multilateral moves, Japan has also actively pursued bilateral cooperation with countries in the region. Some bilateral initiatives are a follow up to regional multilateral agreements. Sudo (2002), Hook et al. (2005) and Shoji (2012) have listed some Japanese political, security leadership and initiatives in the region. These include Japanese support for Indochinese development through its aid to war-torn Cambodia, sending senior advisors for reconstruction in Mindanao in the Philippines, the 1990 Tokyo meeting and Cambodian peace settlement, and 1992 peacekeeping cooperation in Cambodia. They also include Japan's assistance for reconstruction, development and humanitarian relief to East Timor since it gained independence in 2002.<sup>143</sup> Currently, the increase in regional engagement has also been obvious from Japan's signing of bilateral defence

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<sup>142</sup> Following the end of the Cold War, Japan started to pay attention to the need to set up regional organisations to promote dialogue and confidence. Due to sufficient demand for security certainty amidst the growing regional uncertainty, Japan's then Foreign Minister Taro Nakayama proposed an official regional security dialogue in 1991. In the proposal, the security dialogue was to be held under the auspices of the annual ASEAN post-ministerial conference (PMC), which traditionally brought together ASEAN with its seven dialogue partners (Canada, US, Australia, New Zealand, Japan, South Korea and the EU) and five consultative partners (Russia, China, Vietnam, Laos and New Guinea). However, the proposal was rejected by ASEAN, which had at that time kept controversial security issues off its intra-ASEAN agenda. After several years, ASEAN-ISIS (ASEAN foreign policy think-tanks) appreciated Nakayama's proposal and suggested an expanded ASEAN-led regional security dialogue, which became the ARF (Midford, 2000).

<sup>143</sup> Japan dispatched 2,300 members of its Self Defence Force to join the UN-PKO missions and four civilian police to the UN Integrated Mission in Timor-Leste (UNMIT) (Shoji, 2012).

cooperation agreements with several countries in the region<sup>144</sup> such as Singapore in 2009, Vietnam in 2011, the Philippines in 2012, and Indonesia in 2015.<sup>145</sup>

Equally important is the increase in Japan's cooperation to address regional non-traditional security threats both through multilateral forums and bilateral arrangements. This cooperation has the potential to lead Japan and the region to a long term engagement (Shoji, 2012). So far, Japan has participated in some regional issues, including providing financial assistance and dispatching the Self Defence Force to areas affected by the tsunami in 2004 (Shoji, 2012). Other proposals by Tokyo include a regional coast guard to combat piracy in the Straits of Malacca and the South China Sea (SCS) (Sudo, 2002). Based on a proposal suggested by Prime Minister Koizumi in 2001, the Japanese government initiated the agreement on Regional Cooperation Agreement on Combatting Piracy and Armed Robbery against Ships in Asia (ReCAAP). The signatory states, including Japan, China, India, South Korea and ASEAN members, successfully concluded the ReCAAP in 2004 and established a ReCAAP sharing centre in 2006 (Shoji, 2012). For regional countries, engaging in non-traditional security matters with Japan has been an attractive proposition because, on the one hand, it alleviates the risk of unnerving China and has the potential to embrace China joining in the same moves and, on the other hand, it serves the region's thirst for more support and cooperation amidst the increasing threats of non-traditional security issues.

The changes in the NDPGs and the new defence bill on the reinterpretation of Article 9 demonstrate the transformation in Japan's strategic thinking which has been influenced by various factors. In this case, China's rise, nuclear proliferation and the security dilemma, along with other external dynamics in the region and the world have been paramount reasons behind the stance of some

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<sup>144</sup> In general, Japan's defence cooperation with ASEAN countries mostly relates to the promotion of cooperation in logistics support, capacity building in non-traditional security issues through training and exchange of visits of defence officials, humanitarian relief and regular dialogues promoting confidence-building (Japan's Ministry of Defence, 2013b).

<sup>145</sup> Japan and Indonesia signed a defence cooperation agreement in March 2015 on the occasion of President Jokowi's first visit to Japan. The agreement promoted cooperation on coastal security, and regular talks between their respective defence and foreign ministers (Indonesian Ministry of Foreign Affairs, 2015). During this visit, besides the defence pact, Japan agreed with Indonesia to strengthen cooperation in maritime security and the development of marine-related industries. Japan also announced 140 billion yen (US\$ 1.17 billion) in official development assistance to help build Indonesia's railway network (Kapoor and Sieg, 2015).



Japanese leaders to proceed with a more active policy in international fora and pursue military modernisation.

In the end, while Japan's transformation in the military domain has been obvious, Japan's security and political engagement policies in the region should not be seen in isolation. Rather, in most cases, they come together with economic policy. To a large extent, Japanese economic policy has supported Japan's political and security reengagement in the region following the war.

#### **5.1.2 Japan's economic policy: Tools in promoting foreign policy**

Since restarting its economic development after the war, Japan sought to engage in economic cooperation with the world. The growth of the Japanese economy, which was based on industrial and technological development, was derived from its engagement with international trade and investment (McCargo, 2000). In this regard, East Asia had been a major region essential to Japanese economic growth. This was not a recent phenomenon. In fact, historically, a basic logic of Japan's military invasion of East Asia during World War II was to secure natural resources for its economic development (Beasley, 1987).

At the beginning, Japan's rapprochement with the region was not totally smooth. It was met with suspicion and dissatisfaction over Japan's emphasis on self-profit orientation. This was closely related to Japan's thirst for economic development following its ruin from the war. In this respect, Japan's post-war international relations had been preoccupied with economic reconstruction and expansion while succumbing to US military and security arrangements (Shuja, 1999; Sudo, 2002; Togo, 2005; Tanaka, 2007; Teo, 2012a). Consequently, from the 1950s to the 1970s, Japan's international relations were dominated by its economic focus and paid less attention to international military, security and political affairs. Japan's disregard of its good image created a picture of a greedy nation that sparked off the region's dissatisfaction. The region took Japan's economic penetration as unfair and exploitative of the region's natural resources by exporting cheap manufactured products. The dissatisfaction, which had been exacerbated by the wounds inflicted by Japan's colonialism, generated a popular boycott of Japanese goods and anti-Japanese riots on the occasion of Prime Minister Tanaka's visit to Thailand and Indonesia in 1974 (Hook et al., 2005).

In response to the region's dissatisfaction, and in a bid to fix Japan's international image, Prime Minister Takeo Fukuda announced the so-called Fukuda Doctrine on 18 August, 1977. The doctrine marked a shift in Japan's policy, which sought to have a more positive role in East Asia, including South East Asia.<sup>146</sup> Indeed, the Fukuda Doctrine, in part, was the first initiative by Japan that sought to improve its stance and image in the region following the perceived pursuit of selfish economic interests (Sudo, 2002). The Fukuda Doctrine stated that Japan repudiated the role of its military power; promoted a "heart-to-heart relationship" with South East Asia; and sought an active political role in promoting peace and prosperity in the region by functioning as a bridge between the non-communist Association of Southeast Asian Nations and communist Indochina (Sudo, 1988; Hook, et al., 2005).

At the peak of Japanese economic growth in the 1980s, Japanese economic relations with East Asia had been characterised as a "flying geese" model, in which Japan as the lead goose presented a role model for the economic development of others in the region. Japanese influence increased through the transfer of capital, managerial skill and knowledge from Japan to the region. The participation of big Japanese companies was essential in this model whereby interaction developed between these big companies with their subsidiaries, which were scattered throughout the region (Ozawa, 2001; Kasahara, 2013). Accordingly, following regional economic development and a maturing Japanese economy, Japan's investment and trade with the region has gradually developed till now.

In trade cooperation with the region, Japan recorded a significant increase. The total volume of Japanese trade with East Asian countries (China and South Korea, as well as ten ASEAN countries plus Hong Kong, Taiwan and Mongolia) reached JPY¥ 75.9 trillion or US\$ 625.8 billion in 2015. This amount was a significant increase of 151% from the 1998 trade volume when the Asian financial crisis hit the region. In addition, the increase in Japan's trade with East Asia is also remarkable from the growing share of Japan's East Asian trade. From only 34.6% in 1998, the share of Japanese trade with East Asia grew to 47.75% in 2015

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<sup>146</sup> Sudo (1988) has captured the debates on the significance of this doctrine towards Japan's efforts in promoting cooperation with South East Asian countries.

(Japan's Ministry of Finance, 2016). Similarly, the increase is also palpable in investment cooperation. In 2014, for example, Japan's investment in East Asia (North East Asian countries excluding North Korea and some of ASEAN countries: Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) accounted for US\$ 35.39 billion or recorded an increase of 353% from the 1998 total of only US\$ 7.81 billion. The amount also represented a share of 29.5% of Japan's 2014 total outward investment in the world that reached US\$ 119.73 billion (Japan's External Trade Organisation, 2015).

In this respect, there is a close link between Japanese economic policy and its political engagement in the region. In fact, the Fukuda Doctrine, with its economic packages, sought to defy the region's view that developing economic cooperation had been the only Japanese focus. Since then, it cannot be denied that Japanese economic activities have acted as policy tools that also seek to gain other than economic interests. The two packages of Japanese economic policy; Official Development Assistance (ODA) and war reparation, have been tools for Japan's rapprochement with the region after the war.

Beeson (2001) argues that Japan's integrated ODA packages, ranging from low interest loans, grants, technical assistance, administrative guidance to labour training programs, have been effective not only for promoting economic interests, but also for creating political dependence by regional countries on Japan. For ten consecutive years, from 1989 to 2000, except 1991, Japan was the number one donor country in terms of the absolute amount of ODA. Geographically, Japan's ODA was exclusively earmarked for Asia, but that proportion declined to 75% by the middle of the 1970s, and to 50% by the end of the 1990s (Togo, 2005). Despite the decline, the fact remained that Japan distributed more ODA to East Asia, especially South East Asia, than to other regions in the world. Annually, a sum of US\$ 1.15 billion in damages and US\$ 737 million in loans were distributed to South East Asian recipients (Sudo, 2002). During the period from 1967 to 1999, Indonesia was the largest recipient of Japan's ODA, which amounted to US\$ 30 billion (Soesastro, 2004).

The second element essential in Japan's rapprochement with the region was war reparations. Reparations had also been Japan's foreign policy tool from which economic and political cooperation were begun. The reparations were aimed at compensating countries, mainly in Asia, for the cost of repairing the

damage done. The total amount provided by Japan to various recipient countries accounted for US\$ 2.6 billion (or similar to US\$ 232.4 billion in 1998 year value) with the last payment being made to the Philippines in 1976. With Indonesia, a reparation agreement of US\$ 223 million, plus US\$ 400 million of loans for economic cooperation, was signed in January 1958 and was settled in 12 years of deferred payment (Togo, 2005; Nishihara, 1976).

Currently, Japanese economic policy has highlighted the country's presence in the region. Japan's regional trade and investment cooperation have been essential for the economies of Japan and the region. Equally important, Japan's economic policy along with its aid packages, especially ODA (it remains one of the top donor countries in the region), have led to the development and integration of Japan with East Asia. In this regard, besides engaging in bilateral economic relationships with countries in the region, Japan's economic leadership and initiatives in Asia have been also palpable in the following multilateral moves: Japan's active participation in APEC, Asia-Europe Meeting (ASEM), and the proposal for an Asian Monetary Fund (AMF) when the region faced a financial meltdown (Sudo, 2002).

### **5.1.3 What does Japan currently seek in East Asia?**

Although South East Asia has changed over time, to the majority of Japanese, it is "primarily seen as a coalition of poorer and smaller neighbours, hardly of any significance in international politics" (Teo, 2012b 270). Japanese still stereotypically considers South East Asia as a backward neighbouring region ruled by authoritarian, corrupt and incompetent governments. Nevertheless, all of Japan's active policy in Asia, as previously discussed, has reinforced the region's significance for Japan's interests not only in economics, but also in politic, strategic and security dimensions. Economically, the region is a potential market for Japanese products and a source of natural and raw materials for Japanese industries. As well, many Japanese companies have regional countries as their hosts (Khamchoo, 1991). Current economic interdependence between Japan and the region has been well reflected in trade and investment statistics, as well as the aforementioned "flying geese pattern." In fact, economic advantages as a result of the interdependent economic relations and cooperation between Japan and the region have been an influential factor driving Japan's engagement in Asia.

In the strategic and security realms, Japan has recognised the importance of maintaining stability and security in its proximate region, because any security infringement, including in North East and South East Asian countries, will not leave Japan unaffected, especially in the SCS and ECS where around 70% of Japan's oil imports pass through (Sudo, 2002; Er, 1996). Japan has a strategic interest in the freedom of navigation and the avoidance of armed conflict in the seas. Equally important, both seas have a similar bearing on China's international affairs, especially in relation to Japan. Japan has a particular interest in observing the SCS dispute because in the light of China's current aggressiveness, China's reaction in the dispute will display a similar behaviour on its territorial claim in the ECS.

Therefore, Japan's current moves in the region have been, in part, driven by China's increasing moves in the SCS and the interest in maintaining US' regional engagement. This has been obvious from its approaches to regional countries, especially those that have territorial disputes with China in the SCS, where Japan and US' interests to preserve freedom of navigation and to balance China are converging. Japan's recent international aid policy has been driven by a rivalry with China, not only for influence, but also for improving regional countries capabilities to resist China over maritime disputes (Jain, 2016). Indeed, Japan's agreement with the Philippines and Vietnam (Petty, 2014) to provide coastal patrol boats to enhance the two countries' positions in the disputed territories of the SCS is an example. Japan's particular interest in the region is reflected by the increase in the intensity of Japan-Philippines' military and security cooperation in 2015. Japan conducted a military exercise with the Philippines in late June that took place near the Spratlys involving a Japanese P-3C aircraft and 20 Japanese personnel (Chen and Aquino, 2015; "China's Land Reclamation," 2015). Similarly, in May 2015, both countries held their first-ever bilateral naval exercises in the SCS ("Japan, Philippines Hold," 2015). In 2016 alone, the vessels of Japan's Maritime Self Defence Force made three friendly visits to the Philippines' Subic port near the disputed waters of the SCS as a show of Japan's deepening relationship with the Philippines ("Japan Warship,"

2016).<sup>147</sup> Likewise, Japan and Vietnam have signed a bilateral cooperation agreement on maritime security. Under the agreement, Japan will supply Vietnam with six vessels as part of a JP¥500 million aid package. The ships are expected to be used to assist in maritime security patrols in the SCS (“Japan to Supply,” 2014).

While engaging in unilateral military moves in the SCS dispute is neither possible nor desirable for Japan due to the region’s ambivalence, suspicions of its military record, and perception of strategic ineffectiveness (Ping, 2007), Japan has pursued diplomatic approaches by building networks bilaterally and multilaterally for garnering regional support against China, or at a minimum, to prevent regional countries shifting their policies to align with China.

In addition, the region’s significance for Japan’s interests is added to by the current dynamics of China’s rise and the US’ rebalance policy in the region. In this respect, the region has become a competition ground for influence between great powers, which include Japan, the US, and China. As a regional great power, Japan wants to remain relevant and exert influence in the region. Compared with China and the Koreas, the ASEAN countries are much less hostile to the idea of Japan’s regional leadership thus offering Japan a future opportunity to play a political role commensurate with its economic power in the region (Baviera, 2006). At the same time, Japan also has an interest in joining like-minded countries in the region in the promotion of regional peace and security (Mission of Japan to ASEAN, 2015). Japan’s various foreign policy initiatives have displayed the country’s intent to play an important role, exert influence and cultivate relevance in the region. However, the rise of China, which has tailored its economic, social and political influences in its relations with the region, has a capability to emulate Japan and potentially act as a new rival to Japan’s manoeuvres for influence in the region.<sup>148</sup>

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<sup>147</sup> The current dynamics of the Philippines-US relations following the perplexing announcement made by President Duterte that the Philippines is separating from the US (Yoshida, 2016) has to some extent potentially cornered Japan (a US ally) into an uneasy position. Obviously, Japan’s official response is to play down the fragile relations between the US and the Philippines. As a matter of fact, during Duterte’s visit to Tokyo in October 2016, Japan showed its interest in maintaining good relations with Philippines. Japan certainly has an interest in preventing fundamental shift in Philippines’ foreign policy.

<sup>148</sup> Indeed, as Mingjiang (2011) also argues, there is plenty of evidence to show that other major powers that have a stake in South East Asia and East Asia are concerned about the developments of China-ASEAN relations. The US and Japan are worried about China’s growing influence in the region. Mingjiang highlights some analysts’ concerns about the emerging trend that some ASEAN countries will gradually fall into the Chinese orbit.

Last, but not least, the region's significance to Japan is enhanced by Japan's interest in nurturing a partnership with the region amidst the uncertain trajectories of US' reengagement and the US-China rivalries. On the one hand, given the magnitude of US' power, its deterrent capability will potentially augment Japan's stance against China and promote a balance of power in the region. On the other hand, the Japan-US security alliance will potentially entangle Japan in any possible American clash with China. Regardless of whether a dispute is small, or there is a big military clash between the US and China, either will potentially damage the existing fragile Japan-China security relationship. Thus, amidst China's rise and doubts over US' rebalance policy, allying and building relationships with like-minded regional countries are significant for advancing Japan's interests in regional peace and stability.

In this respect, Japan is also vigilant over US commitment to pursuing its rebalance policy in Asia, especially due to the US' varied focus on international security issues and the superpower's domestic challenges and financial restrictions (Shoji, 2012). Although the likelihood of a US absence or reduced presence in Asia is far from a reality, the speculation over this commitment creates an uncertainty about the possible absence of a balancing power in the midst of China's growing rise in Asia. In turn, this leads Japan to pursue military modernisation and build up its defence systems in anticipation of the US abandoning the region or, especially, Japan. This anticipation is in line with the balance of threat theory that the absence or reduced presence of a balancing power has the potential to create regional disorder, instability and insecurity. There is speculation about the possibility of a revision of the current regional US-led order, as possibly pursued by China to favour its growing power and interests. Thus, Japan has to maintain the current status quo, either with the presence of the US in the region or with Japan's own strength (Ross, 1999; Christensen, 1999). To do this, Japan cannot stand alone, and thus, it needs like-minded countries in the region.

## **5.2 The Repercussions of Japan's Interactions with China and the US: The Impact on Indonesia**

Japan's military and security transformation along with its defence modernisation and more active roles in the security, political and economic realms, have brought

about an array of impacts on its relations with the US, China and, in turn, on the region; especially Indonesia. In this regard, it is under the duality of Japan's relations with the US and China both in cooperative and competitive forms that the impact of Japan's policy on Indonesia should be assessed. Arguably, Japan's current policy potentially engenders elements of opportunity and threat to Indonesia.

### **5.2.1 The nature of Japan-US relations in the midst of Japan's transformation**

With regards to Japan-US relations, Japan's transformation is not only enhancing their existing alliance, but also sparking regional speculation over the intent of Japan's growing military independence and its impact on regional security.

Japan's more active role and modernisation have been welcomed by the US as it will potentially increase Japan's role in sharing the burdens of promoting their common interests and pursuing responsibilities in the maintenance of regional peace and security. Their shared interests in promoting the current status quo and regional order are not in question. As a staunch ally of the US in the region, Japan hosts US military facilities and, despite its growing military and security independence, it continues to rely on the US nuclear deterrent. Japan's desire for a more activist policy will, in part, correspond with, and work in support, of the US rebalance policy. This is particularly evident from the amendment of the two countries' security arrangements that pave the way for a more robust participation by the Japanese Self-Defense Forces in disaster relief, peacekeeping operations, missile defense and other military missions carried out by the US (Barnes, 2015). According to the US Department of Defence (Garamone, 2014), in addition to the US' commitment towards the implementation and maintenance of its rebalance policy in Asia, the overhaul of the agreement, which was last revised in 1997 in response to the end of the Cold War and the growth of North Korean missile technology, projects Japan's increased involvement in regional security, while taking a greater stake in its own security amidst current dynamics.

Indeed, the new outline of US-Japan's security cooperation means a stronger security alliance with broader functions and geographical scope. One of the agreed clauses is about Japan's willingness to exercise limited collective self-



defence (Hornung, 2015b). The new situations outlined in the guidelines include “asset protection of US forces, support for combat search and rescue operations by the US, the exchange of information to protect forces participating in ballistic missile defence operations, and logistical support for US forces” (Hornung, 2015b para. 8). Equally important, it also includes actions involving the use of force that Japan and the US are willing to cooperate together if a third country is under attack.<sup>149</sup> The inclusion of such a clause has been accommodated in Japan’s new bill giving a reinterpretation of Article 9. The new guidelines on Japan-US security cooperation show an important shift in Japan’s willingness to involve itself in regional affairs. In addition, through the deal, Japan demonstrated that it has emerged as a keen partner in many roles it once considered forbidden.

The changes in Japan’s military and defence orientation have led to a speculation on the impact of Japan’s current policy on regional dynamics. In this respect, the Japan-US military alliance, the US’ welcoming of Japan’s military build-up, and its encouragement of a more independent and active defence policy have sparked China’s apprehension, as China prefers Japan’s pacifist and less-active international policy (Christensen, 1999).<sup>150</sup>

In the field of economics, Japan’s transformation with its intent to continue economic expansion by engaging in closer economic relations with the region will be in line with the US’ reengagement policy in the region. The transformation continues to promote the current strong relationship between Japan and the US in some areas of regional economics. Japan and the US have been strong promoters of liberalisation in the world economy. Some of the world financial institutions, especially the ADB, the World Bank and the International Monetary Fund (IMF)

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<sup>149</sup> The new guidelines also include the expanded situations for cooperation. Under the previous guidelines, cooperation was limited to peacetime situation in areas surrounding Japan and armed attacks on Japan. The new guidelines remove geographic limitations with the intent to guarantee Japan’s peace and security in all situations to include: “a) peacetime, b) emerging threats to Japan’s peace and security, c) armed attacks against Japan, d) armed attacks against a country other than Japan, and e) a large-scale disaster in Japan” (Hornung, 2015b para. 5).

<sup>150</sup> The historically based mistrust between China and Japan, has led China to be always alarmed over any Japanese military move, even though such a move is considered by Japan to be defensive in nature. In this regard, Beijing is worried that new defensive roles for Japan could break an important norm of Japan’s constitution, which is self-restraint, leading to more comprehensive Japanese military build-ups later. Moreover, Beijing’s focus on preventing Taiwan’s permanent separation from China means that defensive weapons in the hands of Taiwan or its potential supporters, like Japan, are provocative to China (Christensen, 1999).

have been the prime financial instruments that support both Japan and US economic policy in the region.

### **5.2.2 The nature of Japan-China relations in the midst of Japan's transformation**

It is in the light of Japan's more active defence and economic policies, as well as its relations with the US, that Japan's relations with China in various fields are critically observed. This entails both cooperation and competition: on the one hand, Japan remains economically interdependent with China in the midst of their growing economic cooperation and, on the other, Japan's transformation generates anxiety on China's part and explains the competitive nature of their interactions in the region.

#### *Economically interdependent in the midst of growing rivalries*

Japan-China relations are experiencing an "up and down" curve or, according to He (2013), "twists and turns" where although they share many geopolitical and economic interests, both of them have never developed genuine strategic cooperation and, since the 2000s, have even displayed a trend towards "thinly-veiled or open rivalry" (p.7). Furthermore, economics does not always promise cooperation, rather it has also the tendency towards competition. In this respect, China's nascent financial institutions (such as the AIIB) and economic packages for the region have the potential to challenge the current existing institutions promoted by Japan and the US (such as the ADB and the World Bank).

Yet, while China's new AIIB has offered regional countries an alternative to Japanese endorsed existing financial institutions, it does not necessarily alienate Japan from China. As previous chapters have argued, their economic interdependence is growing, and the financial institutions are seeking cooperation among them to develop a good regional economy.

There is, of course, still a sphere of competition between Japan and China caused by the nature of the AIIB. But, at some junctures, their economic interdependence has stimulated a good interaction that potentially prevents the competition from going astray. Japan-China's economic relationship has highlighted their growing interdependence with successive increases in trade volumes. As shown in Table 5.1, compared to the Japan-US trade relationship

which largely saw a decline, Japan-China's trade relations have grown and surpassed Japan-US trade relations since 2007. The table also confirms that China has been the second most important market for Japan's exports after the US.<sup>151</sup> Japan is also crucial for China's development, especially in terms of capital, technology and managerial skills. Similarly for Japan, China is needed to buttress its economic changes amidst stagnant growth, as well as to provide market outlets for its products (Binh, 2012).

Japan's trade with the US and China (1,000 Yen)						
Japan - US Trade				Japan - China Trade		
Year	Export	Import	Total	Export	Import	Total
1988	11,487,389,163	5,388,264,370	16,875,653,533	1,213,931,260	1,264,213,819	2,478,145,079
1993	11,735,162,688	6,162,617,478	17,897,780,166	1,911,297,438	2,278,025,688	4,189,323,126
1998	15,470,005,803	8,778,119,003	24,248,124,806	2,620,905,420	4,844,134,624	7,465,040,044
2003	13,412,156,816	6,824,958,413	20,237,115,229	6,635,481,534	8,731,138,638	15,366,620,172
2007	16,896,234,816	8,348,695,214	25,244,930,030	12,838,997,782	15,035,468,305	27,874,466,087
2012	11,188,354,357	6,082,064,277	17,270,418,634	11,509,143,901	15,038,787,251	26,547,931,152
2013	12,928,168,375	6,814,818,915	19,742,987,290	12,625,239,116	17,659,992,158	30,285,231,274
2014	13,649,256,753	7,542,679,072	21,191,935,825	13,381,487,410	19,176,450,101	32,557,937,511
2015	15,224,592,157	8,059,780,909	23,284,373,066	13,223,350,314	19,428,811,556	32,652,161,870

*Table 5.1 Japan's trade statistics with the US and China (Source: Japan's Ministry of Finance, 2016)*

Although economic interdependence is not a guarantee for a perpetual peaceful relationship between China and Japan, at a minimum it potentially helps reduce any intention to wage a conflict or to let dispute escalates. Drifte (2014) notes several events, especially in the ECS, that have displayed the moves by Japan's government to avoid a dispute escalating for an economic interest. In the 2010 trawler accident, for example, despite initially showing a willingness to detain the Chinese captain who rammed the vessel, later, owing to China's pressure and ultimatum to cancel various bilateral cooperation (including to stop China's export of mining materials essential for Japanese industry and a halt of Chinese tourists to Japan), the Japanese government released the captain. Another example was in the purchase of three islands in the ECS. Although the purchase had angered China, the central government made the purchase in a bid to halt the

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<sup>151</sup> Indeed, in his report to the US Congress, Cooper (2014) concluded that the emergence of China and other East Asian countries has played a role in the declining significance of the US in Japan's trade. According to Cooper, "this trend reflects rapidly growing economies in East Asia, as well as a shift in global production and the development of regional supply chains" (p. 5).

plan of the governor of Tokyo, Ishihara Shintaro, to buy the islands. The governor of Tokyo was famous for his ultra-nationalist position. Owing to his dislike of China, he had intended to buy the islands and then to provoke China further by building facilities that would strengthen Japan's sovereignty there (Drifte, 2014; Dreyer, 2014).<sup>152</sup>

Japan's careful position in its relationship with China has been driven by its desire to maintain and promote economic interests. Like China, Japan believes that regional stability and good economic relations are important to its national interest. Nevertheless, in the ECS for example, Japan cannot compromise what it believes as its territorial sovereignty in the area. Moreover, with China's more active moves in the ECS, Japan's position in maintaining its administrative control over the islands has faced difficulties. On the one hand, if Japan tries to match China's greater presence, the risks of unintended accident or conflict increase. On the other hand, if it maintains its current military posture in the sea, Japan will potentially display a position of conceding to China, which risks jeopardising its administrative control over the islands. Japan is indeed pushed towards a position between maintaining its sovereignty claims and, at the same time, managing the pursuit of the claims so as not to interrupt its promotion of other interests. While the first position has a possible consequence of engaging in incremental rivalries with China in the ECS dispute, Japan is faced with the task of managing these challenges so as not to be detrimental to economic interests.

*Alarming the neighbour in the midst of political and strategic competition*

Another impact of Japan's transformation on China is the latter's alarm about Japan's potential threats, especially in the political, security and military dimensions. China's alarm over Japan is obvious. However, while Japan's modernisation will, to some extent, influence the level of China's security or insecurity, it is not entirely right to conclude that it is Japan that should be blamed for provoking China's military build-up. In fact, each of them has blamed one another as the one who first sparked military modernisation and potentially posed

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<sup>152</sup> In this regard, while Japan has been taking a balanced position, it is not to suggest that China should be the only culprit causing the deterioration of Japan-China bilateral relationship. In fact, another observer, like Swaine (2014) argues that in the pursuit of its interests towards Japan, China has also sought to project a balanced position between promoting its interest, preserving and ensuring its national security, entertaining domestic sentiment and nationalism, while at the same time pursuing a benign rise which is not detrimental to others, including Japan.

a threat that reduced the other's security. Here, the dynamic of a security dilemma has been a reason for China and Japan to improve their own security and defence systems within the region where, according to McDonald and Tanter (2015), and Ball (2011), military modernisation is taking place, which not limited to both of them. In addition, as has been discussed in previous chapters, following its economic rise with increasing security challenges, China, without Japan's military transformation, has the capacity and impetus to modernise and build up its military.

Japan and China cannot hide their uneasiness with each other. Japan's handling of China's sensitivity about historical legacy of World War II has generated a bad impact on both powers' relations.<sup>153</sup> Furthermore, Japan's military and defence modernisation, and China's military rise are adding to the complex nature of their security dilemma. Their existing territorial dispute in the ECS further exacerbates their hot economic, but "cold political relations" (Dreyer, 2014). In this respect, the essence of security dilemma lies in uncertainty that when states adopt security policies, regardless of their intentions, they can lead other states to take countermeasures that lead towards a spiral of mutual fear and antagonism (Herz, 1951; Jervis, 1978). Like the impact of China's rise on Japan, Japan's military transformation has given China an excuse to remain alert and to modernise its defence system in a bid to support its presence and claims in the disputed sea.

In addition, the Japan-US security alliance has also augmented the nature of the rivalry between Japan and China, especially when the latter assumes that the former's alliance with the US has the potential to contain China's interests. In this regard, sharing the argument of Teo (2012a), Japan-China "cold politics and hot economic" relations have characterised their dual element of competition and cooperation. In turn, the relations engender the duality of positive and negative impacts on the region, including Indonesia.

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<sup>153</sup> China requested Japan to express its apology for its military's brutality during World War II and to recognise its past misconduct through Japan's revision of its current school history books. Controversies between the two countries, however, continue. Japan's lack of sensitivity in handling the wounds caused by war was a reason for the controversies. Its lack of sensitivity was obvious from the visits of several of Japan's prime ministers to the Yasukuni shrine, where World War II criminals are buried, and the country's lack of an appetite to revise the history books (see for example: Christensen, 1999; He, 2013).

### **5.2.3 Impacts on Indonesia: Enabling Indonesia's hedging policy for a regional equilibrium**

In view of the dynamics of Japan-China relations as well as the transformation of Japan's security and defence policy, there are arguably several impacts on Indonesia. First, a degree of tension between Beijing and Tokyo gives ASEAN states greater space to manoeuvre and benefit from both powers. There is a competition between Japan and China for influence and getting the support of ASEAN both as an organisation and from each of its members. In other words, Japan-China rivalry leads to their more active participation and engagement which potentially contribute to a positive development for the region, including Indonesia. In economic dimensions, China's packages, both in the form of the ASEAN-China Free Trade Agreement (ASEAN Secretariat, 2002a), and the Indonesia-China Strategic Partnership (upgraded into the Indonesia-China Comprehensive Strategic Partnership in 2013), have been followed by Japan agreeing to such economic packages as establishing the ASEAN-Japan Free Trade Agreement in 2002,<sup>154</sup> the Indonesia-Japan strategic partnership in 2006 and the Indonesia-Japan economic partnership in 2007.<sup>155</sup>

In a broader regional perspective, the China-Japan competition for influence has been salient especially following the Asian Financial Crisis in which both countries competed to offer financial assistance to crisis-hit countries (including Thailand and Indonesia). In tandem with China's pledge not to devalue Yuan currency, Japan proposed an Asian Monetary Fund – a project which was then opposed by China and the US as a challenge to the existing IMF and the great amount of Yen currency being used by the region. In addition, Japan's total bilateral assistance to East Asian economies during the crisis also exceeded the contribution of the IMF (Kim, 2012).

Similarly, Japan-China rivalry over the issues of promoting free trade agreements with regional countries was not unique to Indonesia's case only. The rivalry helps explain the nature of Sino-Japanese interactions in the context of

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<sup>154</sup> Japan's Prime Minister, Junichiro Koizumi, proposed an initiative in January 2002 for Japan-ASEAN Comprehensive Economic Partnership to strengthen broad-ranging economic partnership between Japan and ASEAN. Then, in November 2002, ASEAN and Japan leaders agreed to launch the ASEAN-Japan FTA (ASEAN Secretariat, 2002b)

<sup>155</sup> Japan-Indonesia's joint statement on the establishment of their strategic partnership can be accessed online at the official website of Japan's Ministry of Foreign Affairs (2006).

their international relations which are driven, on the one hand, by nationalist policy designed to balance and enhance one's leverage over the other (Ahn, 2010) and, on the other, to merely promote economic interest. In fact, after China proposed forming a China-ASEAN regional FTA in 2001,<sup>156</sup> Japan opted for negotiating a series of bilateral FTAs with Asian countries. Japan's Prime Minister, Koizumi, visited several South East Asian countries in 2002 and concluded the Japan-Singapore Economic Agreement for a New Age Partnership (Japan's Ministry of Foreign Affairs, 2002). Similarly, after China signed a Framework Agreement on China-ASEAN Comprehensive Economic Cooperation in 2002, Japan began negotiation and concluded a bilateral FTA with Malaysia in December 2005 (Japan's Ministry of Foreign Affairs, 2005). Besides with Indonesia, Japan also signed a strategic economic partnership with Thailand in April 2007 (Japan's Ministry of Foreign Affairs, 2007) and the Philippines in 2008 (Japan's Ministry of Foreign Affairs, 2008).

Accordingly, in trade relations, Japan and China are Indonesia's important partners. Both countries have been interchangeably becoming Indonesia's first and second biggest trade partner. The total trade volume between Indonesia and the two countries in 2015, for example, accounted to US\$ 75.74 billion which represented 25.84% of Indonesia's US\$ 293.1 billion total trade with the world (Indonesian Ministry of Trade, 2016). In this circumstance, Indonesia's trade surplus with Japan helps balance the country's trade with China that has experienced a deficit over the last decade. In the field of investment, between 1967 and 2004 Japan was the largest single investor accounting for 19.47% of all foreign direct investment made in Indonesia (Tjhin, 2012). In 2016, with the total investment value of US\$ 1.3 billion, Japan was the second top investing countries after Singapore in Indonesia ("China to Become," 2016).

In addition, China-Japan competition has also been obvious in several development projects in Indonesia. The development of the Suramadu Bridge, for example, located on the strait between the capital of East Java, Surabaya, and the island of Madura, was initially supported by a Japanese consortium in the 1990s.

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<sup>156</sup> At the ASEAN-China Summit in 2001, ASEAN and China leaders endorsed the proposal for a Framework on Economic Cooperation and agreed to establish an ASEAN-China Free Trade Area within 10 years with special and differential treatment and flexibility to the newer ASEAN members (ASEAN Secretariat, 2001).

But the economic crisis in 1998 and the change in Indonesia's regime prevented the realisation of the project. With the decentralisation in Indonesia, the local government took over the project from central government and welcomed China, instead of Japan, to join the consortium in building the bridge (*"Empat Kontraktor Lokal,"* 2004). Furthermore, President Jokowi's official visits to Japan and China in March 2015, among others, sought investment and expertise from both countries. The visits were welcomed by Japan and China by separately offering their commitment of cooperation on investment and trade. In Japan, Jokowi secured Abe's commitment that Japan agreed to launch a high-level bilateral "maritime forum" with Indonesia to expand cooperation in ensuring security at sea and to increase Japan's assistance in building Indonesia's port infrastructure and coast guard capabilities (*"RI, Japan to Launch,"* 2015). Similarly, in China, Indonesia secured China's commitment on cooperation in various fields, including finance, industry, infrastructure, disaster mitigation, and outer space (Soepardi, 2015).

INDONESIA TOTAL TRADE VOLUME (US\$ / 000,000)										
YEAR	TOTAL WORLD	JAPAN			JAPAN'S SHARE (%)	CHINA			CHINA'S SHARE (%)	CHINA + JAPAN'S SHARE (%)
		Export	Import	Total		Export	Import	Total		
2011	380,932.2	33,714.7	19,466.6	53,151.3	13.95	22,941.0	26,212.2	49,153.2	12.90	26.86
2012	381,709.7	30,135.1	22,767.8	52,902.9	13.86	21,659.5	29,385.8	51,045.3	13.37	27.23
2013	369,180.5	27,086.3	19,284.6	46,370.8	12.56	22,601.5	29,849.5	52,451.0	14.21	26.77
2014	354,471.3	23,165.7	17,007.6	40,173.2	11.33	17,606.2	30,624.3	48,230.6	13.61	24.94
2015	293,061.9	18,020.9	13,263.5	31,284.4	10.67	15,046.4	29,410.9	44,457.3	15.16	25.83

Table 5.2 Indonesia's total trade volume with Japan and China (Indonesia's Ministry of Trade, 2016)

The second impact is that Japan's regional assertiveness and its rivalries conform to the need for stronger and active Asian powers in the midst of China's rise and, in turn, fit in with the equilibrium maintenance policy promulgated by Indonesia. In political and security cooperation, Japan's military assertiveness and desire to engage with Asia provides Indonesia with a relatively safe alternative in the midst of China's belligerent moves. In this case, as a balancing power, Japan is not to replace China, but to work with Indonesia and other players to strengthen a regional equilibrium.



Likewise, both Japan and China's strategic interests in the security of sea lanes in the SCS, as well as in addressing the increasing challenges of other non-traditional security issues such as pandemics, natural disasters, terrorism and global climate changes, have also potentially benefitted the region. Japan's more active policy, along with its interests in maintaining its relevance and strategic influence amid China's growing influence in the region, can benefit Indonesia and other states in the region who can gain more cooperation and obtain additional funds and technical support from Japan. After all, Japan's foreign policy has encouraged, to a certain degree, China's positive attitude towards the region. This also goes the other way around as China's engagement in the region has the potential to persuade Japan to follow suit in order not to risk having Japan's relevance and influence being relegated. In this regard, Japan's policy and presence in the region has provided a greater chance for Indonesia to hedge between, or play off, the great powers. In addition, Japan's presence in the midst of its rivalries with China has added another player that can positively contribute to the development of the region.

Another impact is that Japan-China rivalries potentially encourage ASEAN's centrality. Indeed, the rivalries are frequently placing both Japan and China in a position where both do not accept each other as the main player or driver in East Asian regionalism. This has the potential to promote ASEAN's centrality in the midst of great power interactions. In this case, despite some doubts in Indonesia about ASEAN's capability to manage the China-Japan rivalry owing to multifarious troubles within ASEAN,<sup>157</sup> it is ASEAN that can function as a moderator of regionalism because it is the least controversial option acceptable to both Japan and China.<sup>158</sup> While the dynamics of Japan-China rivalry have the potential to disunite ASEAN members due to both powers' struggle for influence, it also has the potential to encourage ASEAN's centrality in regional mechanisms through their support for ASEAN's function as a bridge and hub of the region.

A unified ASEAN is important for Indonesia and the region, especially when a troubling issue disuniting ASEAN has seen the tendency of ASEAN states

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<sup>157</sup> For more discussion, see Chapter 9.

<sup>158</sup> A similar argument is also shared by other scholars, i.e.: Er (2012) and Xiao (2012).

to individually address challenges and promote their own interests with little coordination with others. In pursuing this individual agenda, South East Asian countries were sometimes in conflict and potentially jeopardised the others' interest. This is, in part, related to unilateral claim of one state on disputed territories, or to securing national interests within domestic jurisdiction that involved the citizens of other countries. One paramount example was the case of Indonesia's sinking of IUU (irregular, unreported and unregulated) foreign vessels plying its territorial waters that sparked regional uneasiness. Exogenous support from Japan potentially creates channels and venues for ASEAN members to promote a better relationship. Technical and functional cooperation, which is technically and financially supported by Japan through the region's multilateral framework, will enhance the chances of joint interaction and cooperation with shared interests among ASEAN members.

However, similar to the nature of China-US interactions, Indonesia and other states in the region do not have the ability to address Japan-China rivalries, nor the capability to avoid any security and stability infringements that might come from Japan-China competition. Indonesia and the other ASEAN states do not have sufficient leverage to avoid or minimise the risk of possible rivalries escalating into a conflict between them.

As discussed previously, Japan-China conflicts might arise as a result of territorial disputes and nationalist sentiments exacerbated by historical outcry. Any conflict potentially creates political and economic turbulence in the region, and will have a similar trajectory to the potential US-China military tension, as discussed in Chapter 4. In addition, given the latest amended outline of the US-Japan security alliance that envisions Japan's enhanced role in supporting US military operations, not to mention in a military conflict with China, it is clear that Japan has the intention to do much more than its previous position. It is also possible that Japan will be dragged into US-China rivalries, with the amended treaty potentially complicating regional security dynamics, where the possibility of a US-China contest is highly likely.

Here, there is the possibility of a contending bipolar system where Japan and China might compete forcefully to drag other regional countries to take sides. Any multilateral forum in East Asia to appease Japan-China rivalries and potential conflicts is thus increasingly important to minimise the risk of conflict. As it is not

easy to envision that North East Asian countries, on their own, will be able to initiate such similar forums as the ARF and the ADMM-Plus, where China and Japan can sit together, Japan-China rivalries will likely enhance the significance of a united ASEAN to moderate their interactions through various forums of the ASEAN Family. This, in turn, highlights the relevance of the forums not only for confidence-building measures, but also as a venue for pre-emptive diplomacy to discuss and find solutions.<sup>159</sup> In this regard, Japan-China rivalries will bring about more Japanese engagement with Indonesia and the region and, in turn, intensify regional engagement both bilaterally and multilaterally.

At the same time, the hypothetical existence of a contending bipolar system also requires a balance fulcrum involving other external powers. In this regard, Japan's more active participation and its rivalries with China reflect the regional need to stimulate an open regional atmosphere where all other external powers, having integral and relevant interests with the region, are welcomed to contribute positively either in bilateral contacts or multilateral forums in the region. This is because, while having two contending giants – China and Japan – can create a hazardous bipolar system, having other giants that promote a multi-polar system in the region will be of significance. As the theory of balance of threat suggests, by having more powers which have constant checks and balances on one another, as well as by preventing the creation of a contending bipolar system, regional equilibrium is easier to maintain. Nevertheless, similar to the argument of Christensen (1999), the involvement of all these great and major powers needs to be handled carefully in a strong and unified regional institution to bring about equilibrium.

### **5.3 Conclusion**

This chapter has discussed the transformation of Japan's policy in the region and its impact on Indonesia. The transformation of Japan's policy is obvious from the 1976 NDPO, which was then changed into the NDPG. These documents are the manifestation of Japan's interpretation of external and internal dynamics. The transformation has also reflected a strategic change in Japan's interpretation of its pacifist constitution. Japan's transformation has come in the midst of China's rise

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<sup>159</sup> More discussion on the function and role of such forums as the ARF and the ADMM-Plus is in Chapter 9.

and the US' rebalance policy in Asia. This enhances the ongoing dynamics of rivalries, besides cooperation, among great powers in the region and, in turn, creates delicate impacts on the region, especially Indonesia.

For Indonesia, Japan's policy in Asia, along with its interactions with the US and China, has brought about an array of positive and negative consequences. In addition to the greater benefit of Japan's economic cooperation, militarily, Japan has been increasingly an important partner of Indonesian efforts including to counter non-traditional security challenges. As the rivalry has been perceived in the realm of zero-sum competition, China-Japan efforts to garner influence and friendship in the region have encouraged them to engage and offer more attractions in the region in order to prevent their leverage and existence being undermined. Consequently, Indonesia can draw more advantages from the support of both powers in terms of financial and technical capabilities, as well as strategic choices. In this regard, Japan's presence with its interest in the region provides a greater chance for Indonesia to play off the great powers. Multilaterally, Japan's closer engagement with the region amidst its vibrant relations with China also enhances and provides useful means for boasting ASEAN's centrality.

The rivalries between great powers also present threats of escalation to military clashes, and the possibility of Indonesia and other regional countries being dragged onto the side of each of the powers within a hypothetical hazardous bipolar regional system. The consequence of this will potentially be perilous to the development of regional peace and harmony. Accordingly, the presence of Japan in the region reflects the regional need to welcome more regional great powers to support equilibrium in a multi-polar region. Having more powers, which have constant checks and balances on one another, will help maintain the equilibrium easily as the possibility of regional countries being dragged to one side will be reduced. In addition, any multilateral forum in East Asia to appease Japan-China rivalries and potential conflicts is also important. In this regard, Japan-China rivalries will likely enhance the significance of a united ASEAN able to moderate their interactions through various forums of the ASEAN Family. The rivalries also create a point where a balance fulcrum involving other external powers is needed. In other words, Japan's transformation with its active policy and enhanced rivalries with China has brought about a need for an uninterruptedly

open regional atmosphere where all external relevant powers are welcomed to contribute positively, either in bilateral contacts or regional multilateral forums.

**PART 2 - Indonesia's Foreign Policy towards the Super and Great Powers: A  
Quest for a Dynamic Equilibrium in the East Asian Regional Security  
Complex**

Part 2 consists of four chapters (Chapters 6, 7, 8 and 9). This part attempts to evaluate the promotion of the maintenance of a regional dynamic equilibrium in Indonesia's current foreign policy towards the countries classified by the RSCT as the superpower and great powers. In addition, it also seeks to examine the country's foreign policy in regional organisations.

This part investigates how the concept of the maintenance of equilibrium, which was promulgated in the era of the SBY administration (2004-2014), is being pursued in Indonesia's current international relations and foreign policy under President Joko Widodo (Jokowi), especially in its bilateral relations with the US (superpower), China and Japan (great powers), as well as towards ASEAN and the Family. In other words, this part seeks to assess Indonesia's policy in response to the interactions of the super and great powers as has been discussed in Part 1.

In this second part, Chapter 6 studies Indonesia's foreign policy in relation to the superpower, the US; Chapters 7 and 8 study Indonesia's policy towards the two great powers in the East Asia regional security complex – China and Japan respectively; and Chapter 9 addresses Indonesia's participation in regional institutions namely ASEAN and the Family.



## **Chapter 6: Indonesia-Superpower Relations: Indonesia's Quest for the Maintenance of a Regional Dynamic Equilibrium in its Relations with the US**

This chapter assesses Indonesia's foreign policy towards the US, especially in relation to the former's quest for promoting the concept of a dynamic equilibrium in the region. It analyses how the concept of the maintenance of regional equilibrium has been pursued in Indonesia's current policy towards the US in the midst of the latter's rebalance policy in Asia and China-US' interaction. To this end, it also seeks to analyse the conditions that conceptually enable Indonesia's pursuit of the equilibrium maintenance policy.

By observing all aspects of US-Indonesia bilateral dynamics, including activities, interactions, cooperation, sentiments and relevant issues, as well as relating them to the conceptual frameworks and the impacts of the US' rebalance policy and China's rise which have been discussed in previous Chapters, this study sets some policy guidelines to examine the extent of Indonesia's efforts to maintain a regional dynamic equilibrium. It argues that despite some weaknesses, Indonesia's foreign policy towards the US in military, strategic and economic areas has demonstrated, to some degree, the intention to promote the concept of the dynamic equilibrium. However, in view of the weaknesses, some concerns that need to be addressed by both Indonesia and the US need to be raised in order to help sustain an enduring relationship and promote the maintenance of a regional dynamic equilibrium.

### **6.1 The Quest to Maintain a Dynamic Equilibrium in Indonesia's Policy towards the US**

This chapter discusses some domestic elements of foreign policy making, including elites' opinion and national interests, to explain the nature of Indonesia's policy for equilibrium maintenance towards the US. The domestic elements influence the trajectories of Indonesia's pursuit of the policy for equilibrium maintenance towards the US. To assess the conformity of Indonesia's current foreign policy towards the US with the agenda of equilibrium maintenance, this chapter employs five operating guidelines. These guidelines are a set of conditions formulated in accordance with such conceptual frameworks as foreign policy, national interest and equilibrium maintenance, as well as in response to the impacts of the US' rebalance policy and the dynamics of US-China interactions.



Maintaining the dynamic equilibrium in Indonesia's foreign policy towards the US contains the elements of the China and US' factor and the fulfilment of Indonesia's three core interests discussed in Chapter 2. Thus, the guidelines include the following: (i) supporting the US presence in the region; (ii) intensifying US cooperation to strengthen regional institutions; (iii) promoting Indonesia's cooperation with the US in military and defence systems; (iv) promoting trade and investment cooperation with the US; and (v) Indonesia's engagement with the US should not interrupt good relations with China. All of the five guidelines reflect a minimal requirement for an "even-handed" policy (as discussed in Chapter 2) between the US and China on the part of Indonesia, and encourage minimalist strategies to promote a regional dynamic equilibrium.

Highlighting the importance of the US both in bilateral and multilateral arrangements to preserve a regional equilibrium, the first four guidelines prescribe Indonesia's need to mutually engage in a good relationship with the US for several reasons. Particularly, the first guideline is a way to bring in a counterweight power, the US, vis-à-vis China. The second guideline highlights the need for US support to strengthen regional institutions as a means of creating a web that connects and facilitates the interaction and cooperation of multiple states with various interests in the region. Regional institutions need to be strengthened by the presence of a balancing power and influence. The second guideline also encourages US support to empower middle powers to drive regional mechanisms. This is in line with the concept of maintaining equilibrium which requires the development of a set of regional mechanisms to be driven by middle powers, in which none extra-regional big powers are dominant and excluded (Polling, 2013).

The other guidelines – promoting military, security and economic cooperation – also see the need for US support, with its relatively greater military and economic capabilities, to promote Indonesia's national development. Promoting cooperation with the US will enable Indonesia to nurture its even-handed strategy, and deter any adversaries by showing that the risks of the use of force against Indonesia will be greater than the benefits. Referring to the discussion in chapters 3 and 4, promoting cooperation with the US is important for Indonesia to potentially minimise and make China's threat manageable. In addition, with the US engagement in the region, engaging in bilateral relations

with the US will assure Indonesia that it will gain benefits from cooperation and minimise the risk of loss from non-cooperation.

Finally, equilibrium maintenance requires the last guideline: while engaging the US, Indonesia needs to secure good relations with China. In line with Chapter 4, to avoid antagonising either the US or China, Indonesia needs to take a minimalist approach – maintaining friendly relations with each of the parties. In this respect, as Indonesia needs to bring in the US as a counterweight amidst a growing regional imbalance, Indonesia has to avoid its relationship with the US interrupting the country's bilateral harmony with China. In addition, the last guideline envisages that it is in the interests of Indonesia not to incite the intensification of the ongoing rivalries and emerging security dilemma between China and the US. While the competitive nature of China-US interactions could potentially escalate into military conflicts, this last guideline prescribes the need for Indonesia to act as a bridge through Indonesia's good relationship with both powers.

Nevertheless, it is acknowledged that the first four guidelines which require a US presence and Indonesia's greater engagement with the superpower will potentially irk China as the US' rebalance policy potentially enhances China's insecurity and triggers counter-responses (Dian, 2015). In fact, in the South China Sea disputes, for example, China was enraged by Clinton's remarks that highlighted US presence in the region.<sup>160</sup> Besides regarding the remarks as a direct attack, Chinese officials were also furious that it was an indication of an attempt to internationalise the SCS dispute (Tran, 2010; Wong, 2011). Similarly, Rozman (2011) argues that the US return to East Asia has helped encourage Chinese nationalist fervour to stand against the return as there is a widespread belief in China that the US has the intention to stymie China's ascending power and influence. China has displayed its concern and anxiety about closer US' engagement in the region. Seen from this perspective, engaging in good cooperation with the US potentially contravenes Indonesia's interest in not unnerving China.

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<sup>160</sup> Clinton's remarks highlighted "US' support for a collaborative diplomatic process by all claimants" to resolve the various territorial disputes in the SCS without coercion (US Department of State, 2010 para. 10).

Despite the contradiction between the first four and the last guidelines, there are at least three aspects that are worth viewing to support the significance of all five guidelines. First, for relatively small and medium powers, including Indonesia, the US is needed to help the region's even-handed strategy towards China. Theoretically, an even-handed strategy, which is prescribed in the guidelines, is a better alternative than the other three probabilities as discussed in Chapter 2 – self-standing, bandwagoning and balancing with either power. While self-standing is hardly successful in this interdependent world, neither bandwagoning nor balancing are better alternatives. As the discussion in Chapter 2 suggests, by bandwagoning – an act of allying with the source of threat – weaker states potentially encourage and convince the stronger power to appear more threatening, hostile and aggressive as this will earn the obedience and compliance of others (Walt, 1985). In other words, if a strong power, which is aggressively acting as a source of threat, believes that bandwagoning is widespread, it will be encouraged to use force in its international relations. Also, balancing – an act of allying with a non-threatening big power, which is in competition with the threatening one – might not be an ideal choice. While the US rebalance policy seeks to garner more friends through its demonstration of benevolence and friendly gestures with the intent to contain China, an exclusive balancing strategy with the US against China will potentially alienate and trigger the latter to regard the region as hostile. This only enhances the existing regional competitive nature.

Secondly, in the current climate which sees some uncertainties over US' intention to engage more closely in Asia, while China's military remains aggressive and hostile (especially over the issue of the SCS disputes), Indonesia has an interest in encouraging the US to be committed in the region. The absence of the US, a security balancer in the region, will enhance the likelihood of China's confidence to pursue hostile conducts. In this regard, it is erroneous to perceive that the US' regional absence will reduce China's hostile intention. This is because, as discussed in Chapter 3, China's hostile conduct in the region is not mainly a response to its perceived threat towards the US rebalance policy; it is a consequence of its rising power compounded by its nationalism and national interests.

Thirdly, Chapters 3 and 4 have implied that besides the competitive element, the US-China relationship also carries an element of cooperation, especially in the economic realm. Their economic relations and cooperation have developed interdependently to the extent that both will find it costly should any interruption in their relations occur. In addition, as described in Chapter 2, Indonesia's quest for the maintenance of equilibrium reflects the country's optimism on the possibility of a positive outcome in regional dynamics. Similarly, the thesis also holds this optimistic view that regional states can explore the possibility of enhancing cooperation with both parties while, at the same time, preventing the potential seeds of competition. The five guidelines are conditions that will help serve the attainment of this optimistic view as the more cooperation is maintained, the less the probability of conflict escalation will be.

## **6.2 How Indonesia's Policy for the Maintenance of a Dynamic Equilibrium is Being Pursued**

It is in the light of US' rebalance policy, its interactions with China and its impact on Indonesia that Indonesia's policy towards the US is being assessed. Indeed, there is a consideration in the minds of Indonesian foreign policy elites about the so-called "China factor" in the process of policy making towards the US. Similarly, the extent of consideration of the US is also influential in shaping Indonesia's policy towards China. In this respect, the China factor and US policy have two interrelated influences in shaping Indonesia's policy toward the US. On the one hand, the China factor is influential in the calculation of power dynamics in the region. The calculation convinces Indonesia to encourage and support the US presence in order to balance China's growing influence and dominance.<sup>161</sup> On the other hand, the China factor, in terms of a growing China, has also created an

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<sup>161</sup> At first, some higher echelons, mostly from the Ministry of Defence and some from the Ministry of Foreign Affairs, expressed their discomfort with the word "counter-balancing." They implied that it is not the intention of Indonesia to counter-balance between the two powers. Indonesia does not aim at balancing against China when making a closer relationship with the US. Similarly, it does not aim at countering against other parties, including the US, when sealing deals with China. Indonesia is determined to engage in closer cooperation with as many parties as possible to fully promote Indonesia's national interest. However, after discussing further the issue of China's assertive military moves, their response changed to considering that the US is needed as a potential counter-weight power. The changes in their response do not imply that the discussion with the researcher had enlightened the elites about the idea of China's threat, but that they became more open as the conversation progressed. They tried to make normative statements at first in order not to convey messages that might become contradictory, agitating and provocative to any country. During the latter course of discussion, some of them got more confident and relaxed in discussing the term "counter-balancing."

alternative that can rival or replace current resource providers (i.e.: financial donors and military and security assistances), which have been traditionally identical to the US and its allies.

Based on the following array of Indonesian military, strategic, and economic policies to engage with the US in the midst of the latter's rebalance policy, there has been a degree of conformity in Indonesia's policies with the five guidelines of equilibrium maintenance. Plausibly, in response to the US overall rebalance, Indonesia's policies have demonstrated the country's intentions to encourage the US military presence in the region, promote US support for strengthening regional institutions and developing Indonesia's military and defence systems, and to closely engage with the US in economic cooperation. In its relations with Washington, Jakarta has also displayed its intention to maintain good relations with Beijing by avoiding any provocative move towards the latter.

#### **6.2.1 Indonesia's maintenance of dynamic equilibrium in the light of the US' military, security and political rebalance policy**

The perceptions of Indonesian elites towards US' rebalance policy have been varied depending on where the US military focuses and alliances are located. In part, Indonesian elites tend to be neutral and, to some extent, encouraging towards the US military facilities that are located to the north of Indonesia's territories (i.e.: in Japan and the Philippines). According to most of the Indonesian elites, the US presence in these bases is reasonable in the interest of securing transportation and navigation. This presence acts as a counterweight against any potential preponderant power such as China. However, this positive perspective tends to shift towards anxiety in regards to any increase in US military presence at bases located in adjacent neighbours like Singapore and Australia.

Indonesia's resentment towards the presence of any external regional military power in Singapore has been influenced by Indonesian domestic sensitivity towards its neighbours with whom it has unsettled border disputes that have the potential for military clashes. Similarly, while welcoming the US rebalance policy in Asia, some Indonesian elites have also raised concerns on the US military presence in Darwin, Australia. When the sending of US Marines to Darwin on a rotational basis in 2011 was revealed, Indonesia's then Foreign Minister, Marty Natalegawa, voiced his fear that this would create regional repercussions. He stressed: "What I would hate to see is for the agreement to

provoke a reaction and counter-reaction that would create a vicious cycle of tensions and mistrust,” (“New US Base,” 2011, para. 2). Natalegawa further said: “We have been informed by Australia on the matter. We’re not unaware. But it’s very important when a decision of this type is taken that there is transparency for the scenarios being envisaged, and that there is no misunderstanding and tension as a result” (para. 6).

Indonesia’s criticism of the US presence in Australia has been based on the consideration that it is potentially threatening to Indonesia. Darwin is located near Indonesia’s province of Papua, where the US mining company PT Freeport Indonesia operates and where a separatist movement remains a threat to Indonesia’s integrity. Some of the elites referred to the possibility of the US forces in Darwin being used to interfere under the guise of the often security-beleaguered PT Freeport Indonesia. In addition, the elites are also concerned about possible US support for regional rebels in Papua as was the case in the 1950s, when the US used the protection of US companies in Sumatra as an excuse for its support to the PRRI, a military revolt in the era of Soekarno.<sup>162</sup> This concern suits Dorling’s argument (Dorling, 2013) that the new US base in Darwin will join a series of US-run listening posts and communication facilities across Australia that form critical bases in the USA-intelligence gathering and war-fighting capabilities in the region.

The Indonesian responses to the US military presence have demonstrated a degree of uncertainty and lingering suspicions amongst elites about the US intentions. Proximity and uncertain intentions, as the theory of balance of threat suggests, have been influential in shaping the threat perception of the US military presence in Darwin and Singapore. Most importantly, Indonesia has been highly sensitive and suspicious of the external power’s intention towards separatist movements in the country. In turn, the sensitivity and suspicion towards the US have been among the important factors that encourage Indonesia to also maintain friendly relations with other powers, including China.

Regarding the US involvement in the SCS disputes, Indonesia’s position is clear that it avoids making explicit support for either the US’ or China’s position. There are concerns about potential rivalries between the US and China resulting

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<sup>162</sup> Personal communication [interviews with the staff members of the Indonesia’s Ministry of Foreign Affairs and Ministry of Defence], May 17 and 19, 2014

from both powers' intensified military operations in the area. At the same time, Indonesia cannot deny possible advantages gained from US deterrence and balancing in the area.<sup>163</sup> Amid the uncertainty over the SCS dispute, Indonesia seeks to encourage China to show goodwill in implementing the Declaration on the Conduct of Parties on the South China Sea (DoC). Indonesia is also keen to see the finalisation of the regional Code of Conduct (CoC). In this regard, Indonesia is confident that the US support for the finalisation of the CoC will have a positive impact. At the same time, Indonesia encourages the US to be present near the disputed area and to show neutral and impartial intentions to help ensure the freedom of international navigation and transportation. Indonesia encourages the US to display the intention that, while being neutral, it will intervene in any destabilising moves that possibly could harm the security of navigation and transportation in the SCS. This position enables Indonesia to manoeuvre between both China and the US. Particularly, while the position allows Indonesia to maintain good relations with both powers, it also supports the US presence as a counterweight power to deter possible Chinese manoeuvres to change the status quo in the SCS dispute.

In his meeting with Obama just hours after the US navy carried out the freedom of navigation operation (FONOP) near China's artificial islands in October 2015, President Jokowi called for US' restraint in the area (Pennington, 2015). Some Indonesian scholars thought that President Jokowi would have explicitly expressed his support as the US FONOP is accommodating Indonesia's existing stance that China's claim in the SCS is baseless under the UNCLOS. The support would have reflected Indonesia's endorsement on the promotion of UNCLOS in the area, which the US used as its argument. In addition, the support would have highlighted Indonesia's desire to seek US presence and active involvement in the SCS. However, Indonesia's call for US restraint indicates Indonesia's desire not to see an interruption of peace and stability in the SCS. Furthermore, Indonesia's calls for restraint also reflect Indonesia's efforts to show its interest of maintaining good relations with Beijing. It is clear that Jokowi's explicit remarks for restraint gave Indonesia more diplomatic room to manoeuvre

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<sup>163</sup> Personal communication [interviews with the staff members of the Indonesia's Ministry of Foreign Affairs and Ministry of Defence], May 17 and 19, 2014

between the US and China's stand-off in the SCS. In this respect, by not explicitly stating its allegiance to either the US or China, Indonesia did not want to be clearly seen to throw its bets with any of the great powers.

In addition, the SCS is not only mired in disputed claim issues, but also packed with other problems including piracy and armed sea robbery.<sup>164</sup> It thus welcomes and encourages more US participation and support in this regard. Indeed, the US' interest in the maintenance of maritime security in the SCS and nearby areas has given an opportunity to coastal states, including Indonesia. Together with Malaysia and Singapore, Indonesia has received financial and technical assistance from the US, Japan, and other countries to conduct cooperative patrols of the Malacca Strait. These patrols have addressed the incidence of piracy in the important waterway, although a disturbing number of attacks against shipping still occur (Haseman & Lachica, 2009).

Similarly, in any military cooperation with the US in the SCS, Indonesia has been swift to avoid the perception that its military drills with the US are anticipating a clash there. For example, on a US-Indonesia joint naval exercise, which has been routinely held since 2012, Indonesia's Navy Aviation Center commander, First Commodore Sigit Setiyanta, told the Jakarta Post (Fadli, 2015) that the drill was not related to tension in the SCS because "There's no potential for conflict on Natuna. The drill aimed to improve air patrol communication, search and rescue techniques, and the exchange of information on the procedure of early detection and measures" (para. 3).

Correspondingly, Indonesia's playing safe between both powers in the SCS is also resonating in its position on the US-China rivalries in general. Indonesia's careful positioning between the US and China has also been apparent, in part, in the country's official statements. In this respect, during its bilateral meeting with the US, Indonesian leaders have expressed Indonesia's perspective that the US needs to remove the issue of China's rise as a cause of its engagement in the region. As one of the officials from Indonesia's Ministry of Foreign Affairs has confirmed, Indonesia has requested the US that in the promotion of its relationships with Asian countries, the US should not only be cautious of China's

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<sup>164</sup> For example, the International Chamber of Commerce (ICC)-International Maritime Bureau (IMB) (2015) has revealed that incidents of piracy against small tankers and vessels off South East Asia's coasts went up to 141 in 2014.



rise, but also consider the actual needs and dynamics of the country and the region.<sup>165</sup>

The China factor is certainly influential in Indonesia's moves to engage and cooperate with the US. In this respect, Indonesia has an interest in seeing a US military presence in the region to deter China's potentially hostile military. However, in maintaining good military cooperation with the US, Indonesia is also taking into consideration that the cooperation should not unnerve and create unexpected reverberations for others. In addition, Indonesia's balanced or even-handed moves in anticipation of another breakdown in US' ties have also been signalled from various strategic partnerships that Indonesia has signed with many countries, including with China. In order to dilute its reliance on a particular group of weapons producers, for example, Indonesia signed an MoU on Strategic Partnership with China in 2005 ("China and Indonesia," 2005).<sup>166</sup>

In the region, Indonesia also continues to seek US support in promoting the unity and integration of ASEAN for the promotion of regional peace and stability. Indonesia has displayed its efforts, including during its ASEAN chairmanship in 2011, of promoting a more democratic ASEAN, an agenda that might be attractive to the US. Indonesia's efforts have been noteworthy, ranging from criticising the military junta in Burma, espousing a more democratic ASEAN Charter, and pushing for a more cohesive role and mission of the ASEAN Regional Forum (ARF), to the creation of an ASEAN Security Community.<sup>167</sup> Accordingly, Indonesia has welcomed US support for and attention to ASEAN, including through Washington's assigning of the US' first ambassador to ASEAN in 2008.<sup>168</sup>

Furthermore, the enhanced US military and strategic engagement in the region has also provided more opportunities for Indonesia. Their shared interests in the current dynamic have led Indonesia and the US to enhance bilateral cooperation in defence, politics and security. Following the waiving of military embargoes on Indonesia (Johnston, 2005), the US has resumed its military

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<sup>165</sup> Personal communication [interview with one of the higher echelons at Indonesia's Ministry of Foreign Affairs], June 8, 2014

<sup>166</sup> More discussion will be in Chapter 7.

<sup>167</sup> Personal communication [interviews with staff members of Indonesia's Ministry of Foreign Affairs], June 20, 2014

<sup>168</sup> More discussion will be in Chapter 9.

assistance through the Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs. The two programs have been maintained and enhanced during the US' rebalance policy.

Through the FMF, Indonesia secured US assistance for specific military programs that help modernise the Indonesian military, accelerate the reform process of the Indonesian military, and promote US and Indonesian security objectives, including counterterrorism, maritime security and disaster relief (US Department of State, 2005). The FMF provides grants and loans to help Indonesia purchase US' military weapons and defence equipment. From 2009 to 2013, Indonesia has received loans and grants totally amounting to US\$ 82.95 million. Through the same program, Indonesia is also estimated to receive an amount of US\$ 14 million annually in 2014 and 2015 (US Department of State, ca.2014a).

Similarly, the IMET program provides funding to train military and civilian leaders, primarily at schools and facilities in the US. From 2009 to 2013, for example, Indonesia received US assistance amounting to US\$ 8.72 million. Through the same program, Indonesia is also estimated to receive US\$ 1.7 million in 2014 and US\$ 2.4 million in 2015 (US Department of State, ca. 2014b). In addition to several training exercises under the IMET program, both countries have also conducted "Garuda Shield," the biggest joint military exercise with the US in Indonesia since 2006. This joint exercise, involving around 600 to 700 troops of the Indonesian National Army and 400 to 500 US soldiers, has included training in war strategies and techniques using US' weapons, medical evacuation exercises, aviation and counter-insurgency, as well as natural disaster evacuation and relief (The Indonesian Army, 2014).<sup>169</sup>

Another aspect of bilateral military cooperation is the cooperation between Indonesia's Ministry of Defence and the US Defence Institution Reform Initiative (DIRI) under the 2015 Action Plan. The signing of this plan, which invited public criticism ("*Asing Ikut*," 2015), covers cooperation on the sharing of information and guidance about US military best practices, especially in management, education and training. The cooperation, which began in 2010, is a part of varied activities conducted under the bilateral comprehensive partnership agreement

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<sup>169</sup> To strengthen their defence cooperation, both countries have also conducted annual military meetings: the Indonesia-United States Security Dialogue (IUSSD) and the US-Indonesia Bilateral Defense Dialogue (USIBDD) since 2002.

between Indonesia and the US (Indonesian Ministry of Defence, 2015). This cooperation was a follow-up action of a bilateral deal agreed in the 10<sup>th</sup> Indonesia-US Security Dialogue (IUSSD) and the third Indonesia-US Joint Committee Meeting (JCM) in Washington DC in September 2012 (Saleh, 2015).

Intensified US military cooperation with Indonesia has also required the improvement of the Indonesian military's human rights record. Accordingly, in a bid to strengthen military relations with the US and, to some extent, to respond to an intrinsically domestic request, Indonesia has committed to improving its military's record of human rights promotion. In fact, during a bilateral meeting between the then Indonesia's Defence Minister, Purnomo Yusgiantoro and the then US Secretary of Defence, Chuck Hagel, on the side-lines of the 2013 *Shangri-La* Dialogue in Singapore, Indonesia committed to continue the improvement of its military's respect for human rights, as a primary condition to secure further US military cooperation. In the meeting, Secretary Hagel recalled the importance of respect for human rights as a prerequisite for deeper military ties and discussed American support for Indonesia's military modernisation, including through US foreign military sales ("US Pledges," 2013).

#### **6.2.2 Indonesia's maintenance of dynamic equilibrium in the light of the US' economic rebalance policy**

The US economic rebalance to Asia has included various approaches for seeking economic opportunities in the region. In some aspects, the US economic rebalance has developed shared interests and growing cooperation with Indonesia but, in other respects, their interactions have displayed an array of divergent approaches and interests.

The growing Indonesia-US economic relationship has been salient for the last three decades. Their bilateral trade volume, for example, has grown 4.37 percent from US\$ 23.67 billion in 2010 to US\$ 24.76 billion in 2014. Indonesia has also recorded trade surpluses with the US from 2010 to 2014. The US was Indonesia's fourth biggest trading partner in 2014 after China, Japan and Singapore (Indonesian Ministry of Trade, 2015c). As of November 2015, the total US investment in Indonesia reached US\$ 13.54 billion. This figure reflects an increase of 39.6 percent from the total US investment in 2009, which amounted to US\$ 9.7 billion, and the increase of 28.95 percent from the total US investment in 2001 accounted for US\$ 10.5 billion (US Department of Commerce, 2015). In a

deal signed during Jokowi's visit to the US in October 2015, the US was committed to add to its investment portfolio reaching US\$ 20.3 billion in various sectors including power plants, the extension of the Coca-Cola Company, railways and health ("Jokowi Signs," 2015). To develop bilateral trade and investment cooperation, Indonesia and the US have established the Trade Investment Council (TIC) at the ministerial level. The council is aimed at discussing, identifying and solving any related issue in trade and investment cooperation between both countries (Executive Office of the President of the US, 1996).

In response to the US' withdrawal from the TPP, the views of Indonesian elites are varied. Parties that have initially opposed the TPP further stressed that the TPP is no longer a useful trade block for Indonesia following the absence of the US (Fauzie, 2017). Some members of the Indonesian Chambers of Commerce view that the latest dynamic of the TPP following the US' withdrawal can potentially pave the way for Indonesia to improve its competitiveness against Vietnam and Malaysia in the US market (Singgih, 2017). Nevertheless, Indonesian Ministry of Trade implies that Indonesian interest to join the TPP remains despite the US withdrawal. Thus, Indonesia is still conducting a review on the possibility of joining (Sinaga and Aria, 2016). Despite the varied views, a common position in the country is that Indonesia needs to promote economic relations further with the US, and the US withdrawal from the TPP will potentially help increase Indonesian access to its market: a situation that would be very challenging should the US have joined the TPP.<sup>170</sup>

Indeed, Indonesia has an interest in enhancing economic cooperation with the US. The US rebalance policy in the economic realm has, to some extent, conformed to this interest. However, despite the shared interests and various instances of cooperation, Indonesia and the US must confront some divergent priorities and intentions. The difference owes much to the distinct nature of the countries' domestic agendas and needs. These divergences have revealed that understanding and managing these issues should be at the centre of Indonesia's

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<sup>170</sup> Personal communication [interviews with the staff members of the Indonesia's Ministry of Trade and the Indonesia's Coordinating Ministry of Economy], March, 27 & 29, 2017.

approach to the US in order to be in accord with the moves promoting a regional dynamic equilibrium.

A concern that the US rebalance policy wants to address is the establishment of the AIIB and projects of the “maritime silk road.” In this regard, Indonesia has become one of the founding members of the AIIB. Indonesia’s participation in the AIIB has been aimed at getting more financial support to develop the country’s infrastructure. It will likely not be in conformity with the US’ intention, as the AIIB has the potential to reduce the dominance and influence of such current US’ endorsed-financial institutions as the ADB, World Bank and IMF. Added to this, Indonesia also sees that China’s “maritime silk road project” is useful in supporting the development of Indonesia’s maritime infrastructure projects (Mandey, 2014).

It is thought-provoking to note that Indonesian elites tend to deny any idea that the country’s current positions on the AIIB and the “maritime silk road” project have been motivated by the desire to succumb to China’s demands. In fact, the elites insist that Indonesia’s position is mainly based on the country’s calculation of its needs for fresh funds to develop the country’s infrastructures (in the case of the AIIB and “the maritime silk road” project). However, interestingly, there was once a plan that in its bargaining with China about the AIIB and “the maritime silk road” project, Indonesia’s lack of interest to join the TPP would be raised to appease China in the hope of gaining more bargaining leverage, including getting more funds or loans with high priority and little interest.<sup>171</sup>

In this respect, in the economic realm, the concept of the maintenance of dynamic equilibrium has, to some extent, been obvious in Indonesia’s policy toward the US. In fact, Indonesia has been willing to use its position with one power as a bargaining tool for a position with another power. In addition, while Indonesia is consistently promoting relations with the US, it cannot deny the profit that China offers, although in securing the profit from the latter, it potentially annoys the former. This might be possible because, on the one hand, current regional dynamics do not see the US having built a *fait accompli* situation which obliges Indonesia to choose its side in economic cooperation. On the other

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<sup>171</sup> Personal communication [interviews with the staff members of the Indonesia’s Ministry of Foreign Affairs and Ministry of Trade], May 17 & 19, 2014

hand, China's economic magnitude with its promise of financial aid has also attracted Indonesia.

In addition, it is also obvious that in the light of Indonesia's even-handed strategy, the current improving Indonesia-US cooperation and engagement does not exclusively bring Indonesia onto the US' side. Indonesia-US comprehensive partnership does not necessarily lead to a condition that sees Indonesia's international actions as those of an American proxy. Despite its need for the US presence as a counter-balance against China in the region, Indonesia is vigilant and cautious that the US is not going to interrupt its independent foreign policy. This pattern has been further enhanced in Indonesia's "all direction foreign policy": being friends with all parties, but not seeking to appease each and every party. As Marty Natalegawa, Indonesia's then Foreign Minister, said in a conversation with a journalist from *Vivanews* (Kawilarang & Adiati, 2010), Indonesia seeks to make friends with as many countries as possible, but "we are not in a business of making everybody happy and do not have principles" (para. 53). Indeed, Indonesia is in need of engaging in good relations and promoting cooperation with the US, but it does not want to become a subservient US supporter being exploited in a potential US' containment policy against China.

### **6.2.3 The Weaknesses and challenges of Indonesia's policy for the maintenance of a dynamic equilibrium in the light of the US' rebalance**

While the Indonesian government officially expresses its need for having and maintaining a regional dynamic equilibrium and thus the implementation of its foreign policy has, to some account, reflected this intention, it is marred by aspects that potentially run counter to this intent. There are at minimum four challenges or weaknesses evident in Indonesia's efforts to maintain regional equilibrium in its relations with the US including the influence of a sense of territorial sovereignty in the midst of a threat perspective; pragmatism; dependent on great powers and the superpower interest; and a lack of grand strategic design. The four challenges mark the growing significance of domestic factors, as well as external dynamics, in influencing the government's policy making process especially in Indonesia's bilateral relations with the US.

*Indonesia's search for a dynamic equilibrium under the influence of a strong sense of territorial sovereignty and threat perspective*

First, Indonesia's efforts towards the maintenance of equilibrium have been influenced by the country's perceived threat of the US. Indonesia's current policy toward the US has been determined by the country's calculation of the risks of possible territorial sovereignty violation, intervention and intrusion by an external bigger power.

Indonesia's varied responses in welcoming the US presence have signified that Indonesia's policy cannot be separated from the existence of the country's perceived threats or lingering suspicions about the US. Indonesia will support the US military presence only if it perceives that the presence will not threaten its territorial integrity. Despite being relieved by having a confidence building-measure with the US following the signing of the bilateral comprehensive strategic partnership, Indonesia remains vigilant to the threat.

In this respect, the most obvious issue has been Indonesia's threat perception on possible American intervention over West Papua. Officially, the Indonesian government welcomes the US government's commitment to acknowledge West Papua as a part of Indonesia ("*Pemerintah AS Dukung*," 2015). However, following several comments made by some members of the American Senate who publicly supported the secession of West Papua, the Indonesian government could not hide its uneasiness towards potential American intrusion and violation of the country's sovereignty. In addition, American protests about and questions over Indonesia's handling of human rights issues in Papua have been another concern that makes Indonesia's threat perception of US' intervention over domestic issues stronger. In a response to a comment made by a member of the American Senate on Papua in 2005, President SBY said that the comment on Indonesia's dealing with its own people should not be made by another country's Member of Parliament. According to the President, this criticism was an attack towards Indonesia where it has a sovereign right to reinforce its own rule of law to promote peace and stability in its own community ("*AS diminta*," 2005).

This perception has also been influenced by Indonesia's traumatic experience of the threat of separatism. This is why its lingering suspicion of the US is closely related to Indonesia's efforts to preserve national unity. In addition, the country's ethnic, religious, geographic and economic diversity has also

enhanced Indonesia's perceived threat of separatism. In this regard, any US presence in the areas near to Indonesia's troubled provinces and border areas has exaggerated Indonesia's threat perception about any potential US intervention and intrusion.

In the end, it should be commonly understood by both parties that in pursuit of their bilateral relationship, the threat factor needs to be addressed as one of the priorities. For the US, the superpower can earn greater support and nurture partnership with Indonesia, only when it displays unthreatening moves and ensures that its rebalance policy is supporting peace and stability without harming the greater interest of Indonesia. In addition, Womack (2010) argues that in an unequal relationship, it is normal for a smaller state to have a persistent fear towards a stronger counterpart. This is because in any hypothetical anomaly between both states, the stake of the smaller is higher as it might risk its integrity and survival. Likewise, learning from its history, it is unsurprising that in its relations with the US, Indonesia, to some extent, will remain cautious towards possible US' intrusion and intervention. However, this should not be a troubling issue if both countries can keep regular confidence building measures bilaterally and regionally. As well, Indonesia should rest assured that if it is consistent in demonstrating goodwill to promote universal values, especially democracy and human rights, and promoting just development and welfare, and enforcing the rule of law in Papua, it has the arguments to support its efforts to maintain its eastern most territory.

*The search for dynamic equilibrium through pragmatism*

Secondly, Indonesia's quest for the maintenance of dynamic equilibrium has, to some extent, been affected by a pragmatic approach. The intention to maintain equilibrium is generally promoted only when it is regarded as necessary and in the position of best serving its national interests, with less consideration to the idealistic approach. At first, some of the Indonesian elites realised the pragmatic approach and contended there was nothing erroneous about pragmatism.<sup>172</sup> Indeed, pragmatism is commonly seen in international relations. As the Realist perspective acknowledges, by being rational actors states tend to formulate their

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<sup>172</sup> Personal communication [interviews with the staff member of the Indonesia's Ministry of Foreign Affairs], May 17, 2014



foreign policy based on the calculation of risk and benefit. However, in the context of an equilibrium maintenance policy, it is important for Indonesia to display a foreign policy towards the US in a graceful way, which is not simply displaying selfishness and pragmatism. This is significant for assuring the US that its bilateral engagement with Indonesia will promote mutual and shared interests.

The pragmatic pattern is noteworthy in Indonesia's even-handed policy between China and the US. This balanced move reflects Indonesia's understanding that having an exclusive security and economic relationship with one party at the expense of its relations with another is currently less viable, especially where the extensive integration and interdependence of the region remains intact. Indonesia's pragmatism has been obvious when confronted with economic or military offers from others. Indonesia seeks to secure the better offer or, if possible, to receive offers from all sides. Worryingly, if it is obvious, it will not serve a good end in its relations with either the US or China.

To minimise the possible impact of obvious pragmatism, there is a need to build mutual confidence to assure the US that Indonesia's even-handed strategy is driven by the solemn value of promoting peace and stability in the region. It is therefore important that the five guidelines, which characterise the pursuit of the equilibrium concept, should not be understood in the realm of pragmatism only. While the guidelines have the tendency to lead to practical and pragmatic self-interest, their essence also has the potential to shape Indonesia's policy functioning as a means of bridging peace, building confidence and enhancing the spirit of togetherness. In this respect, the equilibrium maintenance policy requires the display of an intention to make friends with both sides, the US and China, and to benefit not only Indonesia. This has the potential function to be the "glue" and enhance relations not only between the involved parties, but also among the regional countries. In reality, avoiding a conspicuously pragmatic policy will increase Indonesia's capability and leverage to improve Indonesia's significance for the US and, at the same time, encourage the US to support the concept

*The search for dynamic equilibrium is dependent on the great powers and superpower's interests and attitudes*

In undertaking Indonesia's policy of equilibrium maintenance, it is important for Indonesia to bear in mind that the success of its efforts to maintain a dynamic

equilibrium is also dependent on the US' interests and attitudes towards the concept. As implied in Chapter 4, it is undeniable that the US' attitudes towards Indonesia's equilibrium policy are indispensable in determining the trajectory and success of Indonesia's interest in promoting the equilibrium maintenance. This is, in part, owing to the relatively larger US' power with its decisive roles and because it has been one of the core players in shaping the security, strategic and economic dynamics in the region. In this respect, despite the extent of Indonesia's strategic and economic importance to the US, in most parts, given the US' strategic posture, Indonesia is in the position of proposing, requesting or encouraging the US' role so as to be in line with the concept of equilibrium maintenance.

Chapter 4 has discussed that the impact of the US rebalance policy has provided a greater opportunity for the pursuit of the equilibrium maintenance policy. In this regard, the US shares a similar interest with Indonesia to promote regional peace and security conducive to its strategic and economic interests. Nevertheless, the extent of the US' commitment for extending its greater involvement in the maintenance of regional peace, or more specifically for a direct intervention in the region to balance against China, will be something that is beyond Indonesian leverage. This will not work in a vacuum, and highly depend on the US calculation of its interests. Furthermore, President Trump's transactional policy that requires more burden-sharing among regional powers and shows pragmatism will only engender further complexity to the attainment of the Indonesia's equilibrium maintenance concept.

*The search for equilibrium: Not a grand strategy*

Despite various efforts which show a degree of conformity between the quest and the concept, the maintenance of dynamic equilibrium has not been a grand strategic goal in Indonesia's foreign policy towards the US. So far, the concept has been noticeable in limited academic discourses, official remarks and documents, but there is a lack of substantive details in Indonesia's practice of bilateral relations with the US. Even the pragmatic nature of the policy itself does not have an outline that briefs Indonesia's diplomatic officials in their daily encounters with US counterparts. Accordingly, idiosyncrasy, based on the rationale and common-sense of officials, has determined the policy.

The lack of a grand strategy for such a concept influences its long term achievement and maintenance. The search for a dynamic equilibrium in Indonesia's policy toward the US is not a final end, but a matter of degree that requires protracted and continuous efforts. It reflects a process which, in this case, is to engage with the US at every step along the way. The process is expected to build trust and confidence between Indonesia and the US.

### **6.3 Conclusion**

This chapter has discussed Indonesia's foreign policy towards the US in the light of the latter's rebalance policy. It examined whether in Indonesia's policy towards the US there are efforts to promote the maintenance of a regional dynamic equilibrium. To this end, this chapter established a set of guidelines, against which Indonesia's efforts for the maintenance of the concept are evaluated.

Indonesia's national interests, the elites' view, US' foreign policy and the China factor have been influential in the process of Indonesia's foreign policy making with relation to the US. In view of the dynamics of Indonesia's interests in the midst of US-China interactions and in accordance with the concepts, the following guidelines are formulated to maintain the equilibrium: (i) supporting the US presence in the region; (ii) intensifying cooperation to strengthen regional institutions; (iii) promoting cooperation with the US in military and defence system, (iv) promoting trade and investment cooperation with the US, and (v) maintaining a good relationship and cooperation with China.

The chapter has shown that an array of Indonesia's foreign policies towards the US has demonstrated a degree of conformity with the guidelines to promote the concept of a dynamic equilibrium. In fact, Indonesia has demonstrated varied efforts to encourage the US military presence in the region, to encourage US support in strengthening regional institutions and developing Indonesia's military and defence systems. In addition, while engaging with the US military in the region, Indonesia has also maintained good relations with China. Similarly, in the economic realm, Indonesia's balancing move has been obvious through its promotion of good relations with the US and China in trade, investment and other economic cooperation. Most of Indonesia's policies towards the US showed the degree of Indonesia's even-handed position between the US and China.

Nevertheless, Indonesia's maintenance of equilibrium also displays four main weaknesses. These weaknesses include the influence of a strong sense of territorial sovereignty in the midst of a threat perspective, pragmatism, and highly dependence on the attitudes of the US towards the concept, as well as the absence of grand strategic design. From these weaknesses, the chapter is of the view that both Indonesia and the US should address several concerns. First, threat factors have been influential in shaping Indonesia's policy towards the US. These factors thus need to be addressed in order to reduce Indonesia's negative sentiment and lingering suspicions of the US. This is necessary for both countries to develop a better partnership.

Secondly, this study is also concerned with the obvious pragmatism in Indonesia's foreign policy practices. It is thus a reminder that Indonesia needs to display its foreign policy in a way that is not simply displaying selfishness and pragmatism. This is significant for assuring the US that its bilateral engagement with Indonesia will promote mutual and shared interests. Indonesia needs to assure the US that its balancing strategy is driven by solemn values of promoting peace and stability in the region, not only by a pragmatic self-interest. While the five guidelines have the tendency to lead to practical and pragmatic self-interest, the essence of the five guidelines also has the potential to shape Indonesia's policy so that it is a means to bridge peace, build confidence and enhance the spirit of togetherness in a graceful way. In this respect, Indonesia should be able to display a policy whereby its foreign policy with the US also benefits others, functions as "glue" and enhances relations between countries in the region.

Last, but not least, there is the lack of a grand strategy in Indonesia's effort towards the maintenance of equilibrium. A grand strategy is influential in building endurance for a continuous effort. A grand strategy is crucial to shaping Indonesia's policy of the maintenance of the dynamic equilibrium as it is not a final end, but a matter of degree that requires protracted and continuous efforts.



## **Chapter 7: Indonesia-Great Power Relations: Indonesia's Quest for the Maintenance of a Regional Dynamic Equilibrium in its Relations with China**

This chapter assesses Indonesia's efforts to promote the concept of a regional dynamic equilibrium in its foreign policy towards China. It also seeks to analyse conditions that conceptually enable the pursuit of equilibrium maintenance in Indonesia's relations with China. To assess the policy, it uses several operating guidelines which are formulated based on the theoretical and conceptual frameworks discussed in Chapter 2, and in response to Indonesia's ambivalent positions between threats and opportunities concerning the rise of China and China-US interactions. It argues that although an array of efforts in Indonesia's policy towards China has conformed to the intention to maintain regional equilibrium, some challenges and weaknesses, mainly arising from domestic elements, are, however, noted, and in turn continue to affect Indonesia's ability to maintain equilibrium in the region.

### **7.1 The Quest to Maintain a Dynamic Equilibrium in Indonesia's Policy towards China**

In Part One, Chapter 3 suggests that China's rise has presented Indonesia with both threats and opportunities. While threats stemming from China's incrementally pursuing revisionist intentions, tailored in pro-status quo moves, and potentially making use of its relative power to shape bilateral interactions with Indonesia are imminent, the opportunities which China offers to Indonesia are not miniscule. In the light of this ambivalence, Indonesia's interests are thus shaped by two main themes: to promote opportunities and minimise threats. In addition, China's rise has also added delicate issues that are complicating its interactions with the US and Japan and, in turn, increasingly challenging regional equilibrium dynamics.

In this context, the conceptual frameworks discussed in Chapter 2 suggest that the policy for equilibrium maintenance is a strategy to respond to regional transformation by exploiting maximal gains and minimising any risk of antagonising the great powers, especially the US and China. The concept of equilibrium maintenance also highlights efforts to involve other like-minded countries to develop a set of regional mechanisms which are driven by middle powers, in which none are dominant and excluded (Polling, 2013). The concept

generates an idea of omni-enmeshment to include all relevant big powers, which potentially play greater roles in regional strategic and economic dynamics, into regional institutions and to engage in good bilateral relations with them. Engaging with China is a part of the efforts.

Similar to the policy towards the US in the previous chapter, in explaining the nature of Indonesia's policy for equilibrium maintenance towards China, this chapter discusses some influential domestic elements in foreign policy making including elites' opinion and national interests. These domestic elements are influential in shaping the trajectories of Indonesia's pursuit of equilibrium maintenance towards China. Furthermore, to assess to what extent Indonesia's policy for the maintenance of equilibrium in its relations with China is being pursued, the following guidelines are employed: (i) integrated policies under an effective leadership and improved national capacities are needed; (ii) engagement with China is aimed at not only promoting Indonesia's sole interests, but also entangling China in the web of international cooperation, norms and rule of law, as well as the promotion of non-exclusive relationship; (iii) promoting confidence-building measures through defence diplomacy; and (iv) bilateral cooperation is based on equal rights, respect for law and order, an open relationship and involving public scrutiny. Arguably, these four guidelines correspond to the concept of equilibrium maintenance and the dynamics of China-US interaction, and seek to accommodate the two main themes of Indonesia's interests in its relations with China: promoting opportunities and minimising threats.

In the end, from assessing what Indonesia has done in relation to the guidelines it is clear that despite some challenges and weaknesses remaining and requiring adjustments, Indonesia's foreign policy towards China has, to some extent, displayed a degree of conformity to the trajectory of the maintenance of a regional equilibrium. In other words, it is acknowledged that while the intention to maintain the regional equilibrium is obvious in Indonesia's policy implementation, some challenges continue to affect the country's ability to maintain equilibrium in a dynamic region where China and the US share a common stage.

### **7.1.1 Nationally integrated policies under an effective leadership and improved national capacities**

Studies of international politics would be more conclusive by examining thoroughly the relation between internal dynamics and their implications for international affairs (Rosenau, 1969b). In this respect, Rosenau implies that a country's domestic dynamics and its international postures are closely related. Managing opportunities and minimising threats in relation to Indonesia-China interactions, requires an improvement, in part, in Indonesia's domestic stances in view of varied positions of Indonesians towards China. To reach this end, this thesis prescribes the first guideline which is that Indonesia should promote an integrated policy under an effective leadership and improve national comprehensive power.

Here, an effective leadership is defined by a capability to integrate an internal dynamic that supports a unified national stance when dealing with China. An effective leadership will ensure closer inter-ministry communication and coordination and the appointment of capable ministers and commander in chief of the Indonesian Army so as to guarantee that relevant foreign and defence policies are free from faction or department-torn and party-ridden practices. Equally important, as the foreign policy concept discussed in Chapter 2 suggests, an effective leadership includes the capability to receive various domestic messages and to get the messages communicated and transferred across the national and international stakeholders: an effective leadership also means capable foreign policy agents to incorporate various interested parties nationally.

In this respect, Indonesia's position towards China should be nationally accepted and supported. This is closely related to the ability of the government, especially the foreign policy agents to incorporate various domestic interests in order to generate integrated support from all elements in Indonesia. On the Natuna waters issue, for example, Indonesia's stance towards China which is marred by varied voices raised by different institutions should be settled amicably first among domestic stakeholders. Similarly, in various aspects of economic cooperation between Indonesia and China, nationwide support should be achieved in order to ensure the policy is well implemented. As the impact of incongruent stances between institutions or domestic resistance towards particular policies is



ineffective in promoting Indonesia's interests vis-à-vis China, a strong and effective leadership is required to ensure a unified national position on the issue.

In addition, to alleviate China's threats and to increase Indonesia's leverage in its relations with China, Indonesia's international stance should be improved by, first and foremost, the improvement of national capacities. The improvement owes much to the growth of Indonesian national comprehensive power, which is largely supported by political stability and economic prowess. In the end, a national capacity which is supported by effective leadership will ensure the smooth pursuit of Indonesia's policy for the maintenance of a dynamic equilibrium.

#### **7.1.2 Ensuring China's integration into the international community and its adherence to international norms, and promoting China-Indonesia's non-exclusive relationship**

It should be in Indonesia's interest to ensure China's integration into the international community and its adherence to international norms. These norms potentially enhance the opportunity for smaller powers in dealing with greater powers, like China, in fair and secure terms, as norms will ensure rewards and punishment to all concerned parties. It is true some believe that norms do not explain much of the behaviour of states in international relations. Morgenthau (1960) considers it harmful to give norms any attention. Goldmann (1969) argues that the international system lacks the shared values that create a society and that, unlike domestic political systems, the international system lacks a sovereign to enforce the norms, rendering the concept too marginal to merit attention. Similarly, Elster (1989) maintains that norms do not influence a state's moves in international relations, but rational motives do.

It is, however, undeniable that while countries are rational actors, they are future-oriented and concerned with outcomes (Bull, 1977). In this regard, China's intention to promote its national interests requires a balanced position in the region, such as to garner not only enemies, but also friends. China's moves, as discussed in Chapter 3, have confirmed such an intention. This is also in line with mainstream IR theories that, in addition to the US military presence in the

region,<sup>173</sup> the current peace in East Asia, in part, owes to the changes in China's foreign policy and its attempt to be perceived as a responsible rising power that observes international norms and rules.<sup>174</sup> While norms are a collectively agreed mechanism to regulate or shape the behaviour of concerned parties in their interactions, they are also commonly accepted behaviours that have the potential to attract a rational actor. As a rational actor, states are forced to observe norms in order to avoid being seen by others as a violator and common enemy.

In this regard, it is in the interest of Indonesia to influence China to remain in touch with the regional community. As social interactions can render a change in participants' interests and preferences due to the possibility of reciprocal influences on each other (Johnston, 1999), China's interactions with the region, including with Indonesia, might potentially lead China to be influenced to abide by norms. Seemingly, China will not find it difficult to observe regional norms. For many countries in South East Asia, these norms are rooted not in some dogmas or principles, but in self-interest. The region's norms, as observed by ASEAN, include consultation, cooperation, consensus, respect for national sovereignty, non-interference in another state's domestic affairs and giving up the use of force while settling disputes (Acharya, 2001). These regional norms are potentially attractive to a rational actor such as China. Regional states, for example, do not want to interfere in others' internal affairs because they do not want those others to interfere in theirs. Nor do they wish other external players to have the rationale for interfering in their internal problems (Severino, 2011). In a similar process of engagement, China also has the chance to contribute to shape regional norms in its terms.

The effort to ensure a greater possibility of China's abiding by these norms requires another guideline; namely the Indonesia-China relationship should not be mutually exclusive. As discussed in Chapter 2, omni-enmeshment is obligatory in the pursuit of Indonesia's foreign policy so as to bring in some balancing powers

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<sup>173</sup> In their view, peace in Asia has been maintained through the US acting as an 'offshore balancer' and by the elaborate spoke and alliance infrastructure including Japan, South Korea, Thailand, the Philippines and Australia (see, e.g.: Mearsheimer, 2001, Ross, 2003; Cha, 2007).

<sup>174</sup> See, for example: Medeiros and Fravel (2003), Zha and Hu (2006) and Kang (2007). Some other pundits also argue that other factors contributing to peace in East Asia are liberal economic interdependence (see, e.g.: Gartzke and Li, 2003; Goldsmith, 2007; Mansfield and Pollins, 2003; Russett and Oneal, 2001) and the expansion of the organisation and ASEAN way of consensus, conflict avoidance, non-interference and consultation to impact the whole region (Acharya, 2009 and Kivimaki, 2011).

to put a check on China. Omni-enmeshment refers to Indonesia's garnering good relations with other great powers, not exclusively with China, but also including the US and Japan. In other words, Indonesia's bilateral moves to remove or reduce China's threats, which stem from China's possible breach of norms and rules, require Indonesia's moves to facilitate and maintain the US and Japan to remain relevant in Asia. Omni-enmeshment should seek to, on the one hand, promote the role of other great powers, and on the other, integrate China. China's deeper integration will potentially lead it towards becoming more interdependent with the region and, in turn, potentially push its revisionist intentions – a threatening factor – away.

### **7.1.3 Cooperation for confidence-building measures through defence diplomacy**

Another guideline is the promotion of confidence-building measures. This is necessary to alleviate any risk of bullying in the Natuna waters. This cooperation can include defence diplomacy that portrays defence interactions and the cooperative use of military forces to serve the broad objectives of foreign policy (Gindarsah, 2015; Cottey and Forster, 2004).<sup>175</sup> Defence diplomacy here means to focus on confidence-building and conflict prevention in the potentially disputed area of the Natuna waters. In turn, defence diplomacy accommodates some different stances between the MoFA (preventing disputes through diplomacy) and the TNI (promoting a military approach).

Defence diplomacy includes the intensification of arms sales transactions. From a traditional perspective, the activity will enhance diplomatic relations between Indonesia and China as the arms contract will entail other commitments with long-term implications – such as setting up training and maintenance facilities, the supply of ammunition and spare parts, the availability of capability upgrades, and the transfer of technology (Gindarsah, 2015).

Certainly, defence diplomacy is in conformity with Indonesia's policy for the maintenance of equilibrium. While many Chinese commentaries accuse the US of encouraging neighbouring countries to be more vigorous in challenging China's claims in the SCS, as part of the alleged US' containment policy against

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<sup>175</sup> Similarly, Nehru and Bulkin (2014) also argue that given the fact that Indonesia's security is closely intertwined with that of South East Asia, the country needs to promote regional security cooperation through defence diplomacy.

China under the US rebalance policy (Glaser, 2012b), Indonesia's defence diplomacy has the potential to reassure China that it is not being isolated or contained in the region.

In this respect, defence diplomacy is aimed at building defence and military cooperation with China, but at the same time maintaining Indonesia's traditional military and defence cooperation with the US and its allies. This is why the term 'defence diplomacy' is being prescribed here to distinguish this strategy of equilibrium maintenance from any military or power balancing move against another power. Undeniably, defence diplomacy with China might allow Indonesia's interest to balance the country's dependence on Western and US weapons. Yet, in contrast to the balance of power move, defence diplomacy prescribes a non-exclusive relationship that aims to avoid two potential vulnerable consequences: being too militarily dependent on China and the risk of jeopardising Indonesia's good relations with the US. On the one hand, potentially, Indonesia's enhancement of military cooperation through arms purchases will enhance China's leverage over Indonesia as some technology, spare parts and supplies of military equipment will be dependent on China. On the other, an exclusive relationship with China will only jeopardise Indonesia's greater room for improving its relations with other great powers. Defence diplomacy with its prescription of non-exclusive relationship hence serves to mitigate these two potential negative consequences. Becoming closer militarily to China should not mean that Indonesia halts its current and traditional military engagement with the West. Maintaining and enhancing closer bilateral cooperation in the defence and military fields through Indonesia's purchase of China's arms should be followed by Indonesia's balanced stance between great powers. Maintaining closer military relations with the US and China enables, and is in conformity with, the policy of maintaining equilibrium.

#### **7.1.4 Cooperation based on equal rights, respect for justice and law, an open relationship and involving public control**

While, ideally, all kinds of cooperation potentially enhance the interests of the involved parties, cooperation also has the potential to turn out to be a strategic tool to influence the policy of others which might not (either intentionally or not) be in their interest (Goh, 2014). In response to this anxiety, some of the elites frequently claim that despite economic interdependence, Indonesia remains

focused on being strategically independent from China. This is because the Indonesian elites realise that being dependent in any dimension will offer China an opportunity to exert more influence over Indonesia's strategic decisions. The elites further believe that the autonomous mind-set has been strongly entrenched in the Indonesian decision making process.<sup>176</sup> With this mind-set, the elites believe that Indonesia will sustain a balanced or even-handed policy vis-a-vis China.<sup>177</sup>

However, as was discussed in Chapter 3, while Indonesia's intention to stay independent from China's influence remains large, it is not easy to remain so. The threats of China's dictating and influencing Indonesia are potentially imminent. Given China's economic magnitude, offering Indonesia another alternative for resources, the possibility of China using aid to influence Indonesia's decisions, including over the issue of the Natuna waters, will be likely. This is problematic especially if Indonesia becomes highly dependent on China's economy particularly in trade and investment cooperation, and financial aid.

Likewise, Goh (2014) argues that there is a possibility for a country, like Indonesia, to fall in line with China's preferences owing to Indonesia's instrumental calculations, "such as the prospect of access to Chinese economic resources or the lack of other potential large external supporters" (p. 829). While having a convergent preference with China is not necessarily erroneous as convergent interests will help enhance smooth cooperation, it should be anticipated that, in such a case, Indonesia's interests should be well promoted. Thus, to address the growing evidence of China's potential use of its leverage to influence others' decisions, Indonesia-China bilateral cooperation should involve the following guideline: promoting equal rights, respect for law and justice, an open relationship and public scrutiny.

The basic tenet of equal rights includes a clear term of reference in bilateral agreements and clarification of China's no-strings attached loans and grants to Indonesia. In addition, similar to the omni-enmeshment and non-exclusive relationship principle discussed previously, the Indonesia-China

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<sup>176</sup> Personal Communication [Interview with staff members of the Indonesian Ministry of Foreign Affairs and Ministry of Trade] May 21 and 23, 2014

<sup>177</sup> Indeed, the same position has also been shared by Lee (2013) who further suggests that this will likely mean that Jakarta will continue with a posture of offering 'friendly ambivalence' in order to carry out a hedging policy between great powers in the region.

relationship should offer room for cooperation with other countries. In this respect, Indonesia's balanced moves between great powers, especially China, Japan and the US, need to be maintained in order to reduce the possibility of being highly dependent on any of the powers. Similar chances for developing infrastructure projects, for example, including ones under the program of Jokowi's maritime doctrine, thus need to be offered openly to other countries.

As debates take place as to whether China's aid has supported bad governance, undermined established consensus on standards and re-indebted poor countries with a high volume of loans (Cheng et al., 2012; Kjøllesdal and Welle-Strand, 2010; Pheakdey, 2013), Indonesia's rampant corruption will complicate this matter. Corrupt Indonesian officials are going to be easy to be bribed to make discrete deals against the interest of the country. Thus, to minimise the adverse impact of possible deals that are against the greater interest of the nation, Indonesia-China cooperation should not be hidden from public scrutiny. Indonesia's selection of interested donor countries should be done in transparent and open bidding within the reach of public control. By doing so, the tendency for China's loan monopoly, which leads Indonesia to be dependent on its financial aid as a possible result of discrete deals between any corrupt elites, can be immediately avoided and controlled. After all, only with goodwill, based on equal rights and respect for law and justice, an open relationship and public control, will any cooperation be able to minimise the threat of China and, in the end, promote equilibrium maintenance in Indonesia's relations with China.

## **7.2 How Indonesia's Policy towards China is Being Pursued**

Following the varied features of Indonesia's foreign policy towards the People's Republic of China (PRC) that ranged from good and warm relations to an alliance, suspension, and harmonious partnership, recently Indonesia-China relations have continued to grow.<sup>178</sup> Current bilateral relations gained momentum with the

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<sup>178</sup> Throughout the last decades, Indonesia-China's erratic relationship has been, in part, influenced not only by the changes in Indonesia's political and economic landscapes, but also by changes in China's political and economic settings. Indeed, in the period 1950 to 1967, Indonesia-China's relationship significantly developed from being that of only a diplomatic acquaintance to becoming good friends (Gitosardjono, 2006) or to one of being a close ally (Sukma, 1999). However, Indonesia-China bilateral relations were frozen in 1967 when Soeharto took power as the second president of Indonesia. The freeze in this bilateral relationship, which then resumed in 1990, stemmed from a series of political events in Indonesian politics that highlighted the rivalries

signing of a strategic partnership in 2005 (Sukma, 2009). In succeeding years, during the first term of the SBY presidency, Indonesia-China bilateral relations flourished. The signing of the joint declaration on comprehensive strategic partnership in 2013 reflected the trend of growing relations between Indonesia and China which continued during SBY's second term that ended in 2014. Similarly, the current administration under President Jokowi took the same track by promoting closer economic, military and strategic relations with China.

Nevertheless, the improvement in the bilateral relationship has not erased Indonesia's threat perception towards China. In fact, as Sukma (2009) and Novotny (2010) argue, suspicions about China were present in Indonesia's mind together with hopes for economic opportunity. Higgins (2010), referring to Juwono Sudarsono, the former Indonesian Defence Minister and a professor of IR at the University of Indonesia, sums up the Indonesian view: "lingering suspicion of China is still present but this is offset by admiration for China's success" (para. 6). Similarly, the majority of Indonesian elites currently still perceive China as a threat, but also with the growing expectation of opportunity that China has to offer.

For the majority of Indonesian elites, especially at the Foreign Ministry, China's rise has been understood as an opportunity and not mainly been seen as a threat. As a result, Indonesia seeks to promote greater cooperation and, at the same time, remains alert. The elites are aware that China's rise has both positive and negative implications. The positive part outlines China's contribution to economic benefits, strategic and technical resources, and providing Indonesia with a chance for a balanced or even-handed strategy. The negative part outlines some aspects of China's ascendancy including its military rise and aggressiveness, which the elites view with alarm. Equally important, the elites also realise that the positive side, which is the economic opportunity, has the potential to come with probable negative impacts.

More specifically, drawing on structured questionnaires, all of the 51 participants from Indonesian foreign policy elites agreed that China's rise would influence the dynamics of regional security and stability in Asia. Regarding the question on whether China's current rise poses a threat to Indonesian national

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between communist party, allegedly supported by Beijing, and Indonesian Army led by Suharto (Polomka, 1971; Elson, 2001; Sukma, 1999; Mortimer, 2006).

interests, different elites gave varied responses. 43% of the interviewees slightly agreed that China's rise poses a threat to Indonesian interests. In particular, most of them referred to the issue of the SCS in which China has actively practised its iron measures against other claimants. In addition, they also referred to China's economic threat potentially harming Indonesia's domestic economy. However, 35% of participants (or 18 persons) declined to say that China is a threat to Indonesia. Being neutral in response to the question, most of these participants admitted that Indonesia should look at China's rise not only with alarm, but also with hope. Most of them, generally from the higher ranking echelons at the Foreign Ministry, preferred to refer to China as a "challenge" rather than a "threat". The officers even had a tendency to avoid using the word "threat" with regard to China. According to them, if China is really a threat, it will be the job of Indonesian officers to transform it into an opportunity. Furthermore, all of the 18 participants understood that Indonesia should not depend on either China or the US only. Indonesia, therefore, needs to disseminate its orientation in promoting economic, strategic and military cooperation. With regard to the US presence and probable intention to dominate Asia, the majority of participants, accounting for 44 interviewees or 86 percent, agreed that Indonesia needs China's rise to balance US' dominance. Accordingly, almost all of the participants agreed that Indonesia also needs China to end its dependence on the US and the West.

In this regard, Indonesian elites have ambivalent feelings about the rise of China. Despite realising the probable negative consequences of economic losses, the elites understood that China's economy has been another hub for regional development and served Indonesia's interests for economic cooperation. Militarily, while believing that China can be an alternative resourceful partner, disputes and China's possible bullying in the Natuna waters portray a threatening image of China's military. Furthermore, in line with Novotny's argument (Novotny, 2007), this research also argues that the elites' perception of China took into consideration the presence of the US in the region and the vibrant, but unequal, relationship between Indonesia and the superpower. Thus, Indonesian elites welcome the rise of China as long as it offers Indonesia a greater opportunity for manoeuvring vis-à-vis the US. At the same time, Indonesian leaders are also ambivalent about China's rapid economic growth and steadily increased military expenditure. At the centre of this ambivalence is a conundrum over how Indonesia



faces the ensuing complex opportunities and challenges amid the rise of China in the region.

Accordingly, the ambivalent perceptions towards China have shaped Indonesia's foreign policy seeking to promote two objectives: to explore any opportunity through engaging in cooperation and a harmonious relationship with China and, in doing so, Indonesia expects to minimise the threats stemming from China's growing military and economic powers.

The current ambivalent position has obviously led Indonesia's stance vis-à-vis China to be in contrast to the theory of the balance of threat as discussed in Chapter 2. The theory suggests that a threatened state tends to balance against a source of threat; not to be friends with it (Walt, 1985). As a matter of fact, rather than balancing against China, Indonesia engages in good relations with it. Indeed, Indonesia has dual intentions; on the one hand, it seeks to maximise the potential opportunity that China offers in a bid to serve Indonesia's economic, security and strategic interests, and to exploit China's potency to support Indonesia's position in the midst of the presence of the US in the region. On the other hand, driven by its remaining threat perceptions, Indonesia seeks to avoid a growing threat from China by setting up good relations and leading the latter to engage with international norms and the international community. In line with Weissmann (2012), Indonesia is of the view that "negative relations might be (potentially) minimised by increasing the level of positive relations" (p. 113).

It is in the light of these two prime objectives (to promote opportunities and to manage threats) that Indonesia's policy towards China for equilibrium maintenance is assessed. Arguably, in relation to the four guidelines for equilibrium maintenance, Indonesia's policy has displayed efforts to promote an effective domestic leadership, enhance defence diplomacy with China in broader terms, entangle China in regional institutions, and promote equality in bilateral cooperation that respect laws and norms. In addition, the current government has also allowed the public to access some negotiations and agreements, as well as pursued open bidding practices in government projects for various international companies. Nevertheless, these conforming efforts continue to face some challenges that affect the trajectory of equilibrium maintenance policy in Indonesia's relations with China.

### **7.2.1 Promoting military, security and political opportunities in the light of China's rise**

To begin with, Indonesia's policy for equilibrium maintenance is apparent in its military, strategic and security relations with China. The relationship supports Indonesia's various objectives, namely to seek support for capability improvement, to reduce Indonesia's dependence on the West, and to increase its leverage and importance in the eyes of the US and its allies. Equally important, in view of the equilibrium maintenance guidelines, this relationship highlights Indonesia's efforts to promote relations with a great power through defence diplomacy, bringing in China into the regional web of cooperation, and promoting equality in bilateral cooperation that respects laws and norms.

In military and security dimensions, Indonesia-China bilateral relations started with the signing of the MoU on a strategic partnership between Indonesia and China in 2005 ("China and Indonesia Seal," 2005). In 2006, the two countries began their annual defence security cooperation which saw both countries discuss steps to jointly develop defence industries, defence consultation mechanisms, joint maritime exercises and cooperation between law enforcement and intelligence agencies. In March 2007, the friendly visit of two of the PLA Navy's destroyers to Indonesia – the first in over 12 years – preceded the second meeting of the defence security consultations talks ("*Dua Kapal Perang*," 2007). Furthermore, both countries signed an MoU on technical cooperation in the defence sector in 2011. The MoU highlighted such points of cooperation as supplying military equipment, the transfer of technology of certain military equipment, joint-marketing, as well as the upgrading of military devices and training programs. A growing interest in bilateral cooperation has also included training for four Indonesian Air Force Sukhoi pilots in China in October 2008 and a number of attendees at Chinese senior military schools ("Indonesia and China to Strengthen," 2013).

Indonesia's defence diplomacy is also well noted in its military deals with China which are aimed at upgrading Indonesia's military and defence capability. For example, Indonesia and China have reached an agreement for Indonesia's purchase of YJ-82/C-802 anti-ship missiles for US\$11 million; Jakarta's first major purchase of Chinese manufactured weapons since the mid-1960s. In addition, while the Indonesian Army's Special Force (Kopassus) had been banned

from receiving any US military aid, Kopassus was jointly training with the Chinese People's Liberation Army's special operations forces ("Defense Cooperation between," 2013). Furthermore, Indonesia has been in negotiations with China to produce C-705 anti-ship missiles on the Indonesian island of Java in a bid to be more independent in weapons manufacture. In July 2014, the Indonesian Navy had completed sea acceptance tests of its C-705 surface-to-surface missiles' fire-control system (Rahmat, 2014b). Also, the navies of Indonesia and China agreed on a biennial navy-to-navy cooperation meeting in 2013, while Indonesia sent its pilots to train on Sukhoi Su-27/30 jet fighter simulators in China ("TNI Eyes Closer Cooperation," 2014).

The effort to integrate China into the regional web of cooperation is also obvious in the promotion of Indonesia-China joint efforts to counter non-traditional security issues. Several regional declarations involving China have been made under the framework of regional cooperation within ASEAN and its Family (*Declaration of China-ASEAN*, 2002). The awareness for promoting cooperation to counter non-traditional security threats, which include natural disasters, climate change and rising sea levels, drought and food security, energy security, arms smuggling, money laundering, human trafficking, and sea piracy, has indeed increasingly developed among ASEAN states (Indonesian Ministry of Foreign Affairs, 2012).

The strategic partnership declaration in 2013 highlighted the two countries' commitment to strengthen their defence and strategic partnership. Indeed, Indonesia and China have a joint commitment to intensify defence ties by conducting more joint military exercises and training, and to realise cooperation in maritime security, defence industry, and non-traditional security areas – such as consultations on counter-terrorism. While the implementation of the declaration remains to be seen, Indonesian elites are self-assured that, at a minimum, China has been persuaded to bind, although loosely, in good faith to promote a common interest together with other states in the region.<sup>179</sup> In addition to technical and cooperative purposes, engaging China to address non-security threats is also useful to build confidence between regional states and China.

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<sup>179</sup> Personal Communication [Interview with a staff member of the Indonesian Ministry of Foreign Affairs], April 23, 2014

Indonesia's military and strategic cooperation with China reflects Indonesia's intention to exploit China's power to support Indonesia's goal of reaching a Minimum Essential Force (MEF) by 2024 as discussed in Chapter 4. Similar to its objective to seek US' support for this goal, Indonesia's military engagement with China also seeks to get China's support for modernising Indonesia's defence equipment to the level of a minimum force.

In this regard, Indonesia's intention to rely on China for an alternative military resource has displayed the former's balanced or even-handed strategy between the US and China. On the one hand, Indonesia has the intention to use China to help minimise its traditional military dependence on the West. On the other hand, Indonesia's growing military and security relations with China has been simultaneously conducted together with Indonesia's improved relations with the US and Japan as discussed in other chapters. This intention was expressed by some Indonesian elites. During the ASEAN-China high ranking officers dialogue meeting in Beijing on 30 March, 2009, the Director of Strategic Environment Analysis of the TNI, Brigadier General Subekti, welcomed the advancement of Chinese military technology and regarded the phenomenon as potentially beneficial to the advancement of Indonesian military technology. He added that Indonesia is interested to further cooperate with China because such advancement would help balance Western technology and thus help reduce Indonesia's dependence on Western military technology ("*Kemajuan Militer China*," 2009).

Potentially, Indonesia-China's military cooperation supports Indonesia's plan to put weight on diverse shoulders. Until recently, Indonesia had suffered decays in its weapons following the military embargoes by the US and Western states in the 1990s. Indonesia had experienced difficulties in refurbishing its Western-made weapons systems after the US sanctioned the Indonesian military in the wake of the TNI being accused of violating human rights in Papua and East Timor (now Timor Leste).

Based on the Concentration of Arms Supply Indicator (CASI) in 2008, the average index of CASI for the Indonesian Navy's weapon procurement, for example, accounted for 0.617 (out of 1.00). This means that the concentration dependency on a particular producer is high, which in this case is on Western countries (Widjajanto, et al., 2012). Indonesia, therefore, sees China's military development as another alternative source for its weapons procurement, military

training and technical support, transfer of knowledge, and research and development cooperation. In addition, in contrast to the US and the West's rigid conditional pre-requirements, China's more flexible conditions with relatively cheaper prices offer Indonesia a more convenient choice to engage in military and security cooperation.

Equally important, through its military cooperation with China, Indonesia intends to increase its importance and bargaining position with the US and its allies, especially Australia. This is another gambit supporting Indonesia's even-handed strategy between great powers. In February 2014, Indonesia displayed a calm reaction towards a military drill conducted by China's People Liberation Army Navy (PLAN) involving a three-ship navy squadron (consisting of China's largest amphibious landing ship - the Changbaishan – along with two destroyers) in the eastern part of the Indian Ocean near the northern border of Australian waters or to the south of Indonesia's territorial waters ("Chinese Navy Squadron," 2014). While Australia, which was not informed by China, dispatched a surveillance plane to carefully observe the first ever Chinese navy drill near Australia's immediate border (Wroe, 2014), Indonesia said that it had been informed by China and the drill was normal in international waters, and should not cause apprehension or fear (Kusumadewi and Dewi, 2014). Upon China's request, Indonesia granted permission to the Chinese squadron to sail through its Archipelagic Sea Lane (ASL) to the drill location. Undeniably, this has underlined Indonesia's geostrategic importance and that its decision has strategic impacts on Australia (Lawton, 2014).

Indonesia's calm reaction, which was in contrast to Australia's apprehension, displayed Jakarta's message that its closer relations with Beijing can be potentially at the expense of Australia. China's drill happened at a time of increasing distrust in Indonesia's bilateral relations with Australia following the issue of Australia's phone tapping of Indonesian leaders. Similarly, on a different occasion, Indonesia and China's closer military engagement has triggered rumours in Australia that Indonesia had helped China to spy on Australia. While no Indonesian officials have confirmed the news, the Australian media said that Indonesia had used China's electronic equipment to spy on Australia, and that Jakarta and Beijing had jointly operated a spying operation against Australia ("Indonesian Spies," 2013).

### **7.2.2 Promoting economic opportunities in the light of China's rise**

Promoting economic cooperation is another foreign policy tool to get China to become involved in the interdependent regional network. The Indonesia-China 2005 strategic partnership has several clauses to promote economic cooperation.<sup>180</sup> The cooperation covers, among other things, promoting financial stability and healthy financial markets; strengthening cooperation and coordination in financial supervision and improving capital market systems; promoting trade and investment relations; setting-up effective measures to alleviate the impacts of sudden shifts in short-term capital flows; promoting networking among financial institutions, including banks, for financing of cooperative projects; and encouraging and facilitating the participation of Chinese investors in the development of infrastructure in Indonesia.<sup>181</sup>

Furthermore, the 2013 declaration signed by President SBY and President Hu Jintao was an extension of the 2005 strategic partnership. In fact, the 2013 declaration implied that the comprehensive partnership would cover all dimensions of cooperation that both countries can think of to promote their shared peace, security and prosperous development. This cooperation will be implemented in a neutral and open way with economic cooperation as its backbone (“Indonesia, China Forge,” 2013).

In this respect, Indonesia's promotion of its interests through maintaining good relations with China in the economic aspect is evident. Their bilateral economic relationship has developed following the restoration of bilateral relations in 1990. Trade agreements between the two countries and the MoU on the establishment of a joint commission on economic, trade and technical cooperation were among the first bilateral deals that had been concluded immediately after the normalisation of the relationship in 1990.<sup>182</sup> Since then, many other bilateral agreements have been concluded in various sectors of cooperation including mineral resources, air transport and information.

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<sup>180</sup> The joint declaration between Indonesia and China on a strategic partnership can be accessed online at [http://treaty.kemlu.go.id/uploads-pub/1758\\_CHN-2005-0065.pdf](http://treaty.kemlu.go.id/uploads-pub/1758_CHN-2005-0065.pdf)

<sup>181</sup> Personal Communication [Interview with staff members at the Indonesian Ministry of Foreign Affairs], May 14, 15 and 16, 2014

<sup>182</sup> The bilateral trade agreement between Indonesia and China in 1990 can be accessed online at [http://treaty.kemlu.go.id/uploads-pub/2488\\_CHN-1990-0021.pdf](http://treaty.kemlu.go.id/uploads-pub/2488_CHN-1990-0021.pdf); and the Memorandum of Understanding (MoU) between Indonesia and China on the establishment of a joint commission on economic, trade and technical cooperation can be accessed online at [http://treaty.kemlu.go.id/uploads-pub/4847\\_CHN-1990-0023.pdf](http://treaty.kemlu.go.id/uploads-pub/4847_CHN-1990-0023.pdf)

Given the fact that China's investment in Indonesia is still relatively low, investment cooperation has become a main interest of Jokowi's cabinet towards China. In 2015, compared to other countries, especially Japan, Singapore, the United Kingdom, the Netherlands and the US that formed the five biggest foreign investors in Indonesia, China's investment reached US\$800 million with 501 projects, which represented a share of only 2.8 percent of the total international direct investment amounting to US\$28.5 billion (Indonesia's Investment Coordinating Board, 2016). From Jokowi's several meetings with Chinese leaders and the business community in 2014 and 2015, Indonesia received Chinese investment commitments amounting to US\$63.4 billion (Jefriando, 2015).<sup>183</sup> As a result, the bilateral economic relationship thrives with growing trade activities and commitment to investment cooperation. In this respect, there are emerging interests for investment cooperation. While the realisation of this commitment remains to be seen, Indonesian elites are optimistic that their policy of engaging in harmonious relations with China best serves Indonesia's economic interests.

With its attending challenges and threats, economic cooperation with China remains a promising opportunity for Indonesia. In the monetary sector, for example, the central banks of both countries, the People's Bank of China (PBOC) and the Bank of Indonesia (BI) signed a currency swap agreement in 2009. The agreement allows for swaps of 100 billion yuan (US\$14.65 billion) or 175 trillion Indonesian rupiah over three years, which could be extended by mutual agreement (The Embassy of PRC in Jakarta, 2009).

In a bid to secure Indonesia's financial health, Jokowi's economic team offered China the chance to buy Indonesian bonds (*Surat Utang Negara* or government bonds) in July 2015. Motivated by the great amount of China's financial reserves, which total approximately US\$3 trillion, Indonesia's offer sought to attract China's long term investment ("Jakarta Urges China," 2015). Similarly, joining the AIIB in 2014, Indonesia has invested US\$672.1 million, which is payable in five years. With this amount, Indonesia is the eighth biggest investor out of the current fifty-seven signatories to the bank's foundation. Despite some alarm from business people and academic think-tanks that Indonesia

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<sup>183</sup> Compared to the total amount of 2014 FDI in Indonesia, which was US\$28.5 billion, China's commitment of US\$63.4 billion was relatively large and, if realised, will potentially make China the biggest foreign investor in Indonesia.

ought to avoid joining the AIIB should the bank require a strings-attached condition in giving loans, which many in Indonesia already believe that the IMF and the World Bank are doing and that it would only lead Indonesia to be more dependent on China (Irfani and Putri, 2015; Idris, 2015), Jokowi's cabinet is resolute in actively participating in the bank to gain financial support for the country's infrastructural development plan (Jefriando, 2015).<sup>184</sup>

Bilateral relations have also been highlighted by China's active contribution in relief and humanitarian assistance to Indonesia. In the aftermath of the 2004 tsunami disaster in Aceh, China was among the international donors that dispatched rescue and medical teams. The PRC has donated at least US\$2 million to the Aceh and Nias Rehabilitation and Reconstruction Agency. More assistance in the forms of financial and technical support to Indonesia has also been recorded ("China Donates," 2005). Similarly, after the Jogjakarta earthquake in 2006, the China International Rescue and Medical team was also sent to the area, in addition to the RMB 10 million (US\$1.25 million) donation which included relief materials such as tents, generators, medicine, bed mattresses and other daily necessities needed in the disaster area (The Embassy of PRC in Jakarta, 2006).

Furthermore, their increasingly warm relations have been demonstrated by the completion of the 5.4 kilometre Suramadu Bridge, the longest one in Indonesia (and South East Asia) and the longest bridge ever built by China abroad. China's loan of US\$490 million was spent to build the bridge crossing the *Madura Strait* connecting Surabaya and Madura in East Java province ("*Megawati Akan*," 2003).

In addition to China, Indonesia sets open bidding for various international investors. Profitable and highly visible offers become an important consideration. This was obvious, for example, from Indonesia's decision in 2015 to open a bid to build the Shinkansen rail plant in the country. There were bids from three countries, China, Japan and Germany (Susilo, 2015). Anxious about public

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<sup>184</sup> As will be discussed further in Chapter 8, Indonesian elites are aware that the establishment of the AIIB will enhance the ongoing rivalries between great powers, especially the US and Japan on the one hand, versus China on the other, for regional influence. However, Indonesia's decision to join the bank has been based on the perception that the AIIB has a distinct role which does not overlap with the current existing financial institutions endorsed by Japan and the US such as the World Bank, IMF and ADB. Moreover, the AIIB in 2015 is believed to have evolved in such a way as to ensure that any intention by China to use the bank to serve its political, economic and strategic agendas will be unlikely and difficult (Sun, 2015).



scrutiny, the Indonesian government pursued bilateral deals carefully, as many Indonesians are wary of any allegedly strings-attached loans

In various processes of the finalisation of the bilateral agreements (military and economic), the Indonesian government has involved inputs and ideas from relevant ministries and parties. Several agreements that require ratification and changes in Indonesian domestic rules and regulations have also been brought to the Parliament for approval. Equally important, public control is widely felt, especially following the transformation in Indonesian politics where press freedom is endorsed by law.

### **7.2.3 Minimising military, strategic and political threats in the midst of China's opportunities**

Indonesia's foreign policy has also been shaped by the country's intentions to alleviate China's threat in military, strategic and political dimensions, mostly from China's possible bullying in the Natuna waters while at the same time, maximising the opportunities China offers.

As previously discussed, China has the potential to offer Indonesia an alternative supply of military resources to improve the latter's military capability, increase its strategic importance and reduce its dependence on the West. At the same time, however, China's military rise and manoeuvres in the disputed SCS have the potential to bully Indonesia and create regional tensions. In this regard, Indonesia's policy towards China seeks to avoid any potential territorial dispute, including in the Natuna waters, from erupting in the future, and to manage any military dispute, either one between China and Indonesia or increasing tensions among claimant countries which involve China in the SCS so as not to jeopardise Indonesia's greater interests in its relations with China and the region.<sup>185</sup>

Closely related to its regional stance, Indonesia's bilateral position with China in response to the SCS issue is to act as an honest broker. Bilaterally, Indonesia does not consider it has a territorial dispute in the SCS, including with China. Although the latter's nine-dash claim overlaps with Indonesia's EEZ at the north of the Natuna waters, Indonesia insists that it is not a claimant state to any disputed area in the SCS. Equally important, Indonesia does not feel that it shares a direct border with China in the area and automatically does not recognise the

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<sup>185</sup> China-Indonesia disputes in the SCS are still hypothetical at this stage.

legal position of China's nine-dash claim in the SCS.<sup>186</sup> In other words, Indonesia does not even see that it has to deal with China when it comes to maritime entitlement in the SCS (Arsana, 2011). This position is basically a strategy to disregard China's claim by not engaging with it in any formal bilateral negotiation. According to Indonesia, bilateral and formal talks with China to address the overlapping claim in the area will only legitimise China's position.<sup>187</sup>

On his visit to Japan in March 2015, President Jokowi said that China's nine-dash line in the SCS has no legal basis in international law. In trying to avoid opposing Beijing further, however, Jokowi reiterated that Indonesia will not take sides in the dispute and is always ready to act as an honest broker. In fact, Jokowi's statement does not articulate the change in Indonesia's position on the issue. In 2009, Indonesia sent a letter to the UN commission on the delimitation of the continental shelf, officially stating that the nine-dotted line has no basis in international law (Kapoor and Sieg, 2015).

In addition, regionally, over the last two decades, Indonesia has encouraged the finding of solutions to the SCS dispute through various multilateral forums including informal workshops on the SCS and the ASEAN-China Dialogue. Initiating an informal workshop on the SCS disputes in 1990, Indonesia has encouraged regional claimants to develop dialogue, confidence-building, and concrete cooperative efforts and networking (Djalal, 2001). The workshops, which were driven by Indonesia's anxiety following the 1988 Vietnamese-PRC clash in the Spratlys, converged with regional recognition of the need to reduce tensions and improve claimant states' relations (McDorman, 1993). The workshops, that continue annually, have been attended by academic think-tanks and non-official delegations representing claimant parties such as China, Taiwan, Vietnam, the Philippines, Brunei and Malaysia. The process of the workshop is designed to allow for a full and open discussion of issues without the restrictions imposed by formal negotiations. It is recognised that "any successes of the process would accrue to the governments of the region, but a failure would be attributable to the academics" (McDorman, 1993 275).

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<sup>186</sup> Personal Communication [Interview with a staff member of the Indonesian Ministry of Foreign Affairs], May 21, 2014

<sup>187</sup> Personal Communication [Interview with a staff member of the Indonesian Ministry of Foreign Affairs], May 21, 2014

Besides the informal workshops, Indonesia supports the negotiation process through the ASEAN-China Dialogue by encouraging all parties to refrain from provocative activities and calling for a swift conclusion to talks with China on a legally binding code of conduct (Otto, 2015). While the workshop has been informal in nature, the ASEAN-China Dialogue is intergovernmental and involves formal interactions. Nevertheless, it is admitted that frequently the non-formal workshops have laid the ground for negotiations in the intergovernmental ASEAN-China Dialogue. On many occasions, attempts to manage potential conflicts in the SCS began with the second track diplomacy that laid the ground for some formal intergovernmental agreements. For example, the principles of cooperation agreed by the SCS Workshop in 1991 became the formal ASEAN Declaration on the SCS in 1992. Similarly, the Workshop's attempt to study and promote a "code of conduct" resulted in the current willingness of China and ASEAN to discuss a "code of conduct" in the ASEAN-China Dialogue (Djalal, 2001).

Equally important, in relation to Indonesia's stance on the issue of the Natuna waters, with some setbacks, Indonesia's promotion of an effective leadership domestically is obvious through the balancing approaches taken by the Jokowi administration to integrate the different positions of government agencies towards China. Indonesia is aware of China's violation of its territorial integrity in the Natuna waters and seeks to promote peace and stability in the area. As discussed in Chapter 3, Indonesian efforts to enforce its fisheries law in the Natuna waters have been met with Chinese opposition several times. Chinese Fisheries Law Enforcement Command (FLEC) vessels are reported to have bullied Indonesian law enforcement vessels to release Chinese fishermen that had been captured by Indonesian vessels in Indonesia's claimed EEZ. Although the bullying is considered serious by Indonesian officials, in several cases, the MoFA's practice has been to downplay tensions through sending diplomatic notes and summoning Chinese envoy in the country to declare Indonesia's concern and ask Chinese official clarification on the issue. Unsurprisingly, the Indonesian military was dismayed, and sometimes publicly expressed its reactions in hawkish tones. In this regard, different positions are common in Indonesia. Indeed, despite the sound for a peaceful resolution, which was clearly pioneered by the Indonesia's MoFA, the TNI, on some occasions, has displayed a dissenting stance

on the Natuna issue. With a more hawkish view and rhetoric, the elites of the Indonesian armed forces have tended to speak publicly with pride highlighting Indonesia's readiness to face any war with China should the country's territorial sovereignty be violated.

At a glance, from the comments of some in the TNI and Defence Ministry elite, Indonesia has prioritised strategic and military approaches on the Natuna issue. In the first few months of 2014, for example, the TNI revealed plans to deploy fighter jets and attack helicopters to Natuna (Rahmat, 2014a). A staff member of the Indonesian Coordinating Ministry for Politics, Law, and Security, further clarified that the deployments were a reaction to Chinese claims ("China Includes," 2014). Similarly, in April 2014, the then commander in chief of the TNI, General Moeldoko wrote for *The Wall Street Journal* stating that Indonesia was dismayed by China's inclusion of some parts of Indonesia's Natuna's EEZ within the nine-dash line. Because of that, Moeldoko stressed, Indonesia will strengthen its military forces in the islands (Moeldoko, 2014). In 2016, the Indonesian Air Force (TNI-AU) prepared to deploy four special units known as *Pashas* in the Natuna and proposed a budget of up to US\$ 91 million to equip this special force with eight fighter aircraft, an unmanned aerial vehicle (UAV) and the Rheinmetall-made Oerlikon Skyshield air defence system (Rahmat, 2016).<sup>188</sup>

The different strategic approaches between the two government institutions are largely caused by the different nature of their tasks and roles; on the one hand, the MoFA prioritises the diplomatic approach and, on the other, the TNI focuses on a military approach orchestrating a nationalist spirit and preparing for any worst case war scenario. To address the challenge, President Jokowi has sought to integrate both institutions' approaches by directly taking charge of high level policy with regards to China and pursuing repeated meetings with relevant agencies to devise a protracted balanced position, between signalling an objection to China's bullying moves and serving Indonesia's interest to act as an honest broker in the SCS disputes, as well as avoiding the escalation of conflict that leads to harming Indonesia-China bilateral relations.

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<sup>188</sup> Sky shield is modular air defence system including a 35 mm automatic multirole cannon that can fire up to 1,000 rds/min at hostile aircraft and precision-guided munitions. The system is currently in use at other Indonesian Air Force bases such as in Supadio (East Java), Halim Perdanakusuma (Jakarta) and Hasanuddin (South Sulawesi) (Rahmat, 2016).

#### **7.2.4 Minimising threats of economic competition**

Opportunities come with threats or, in the words of many Indonesian diplomats, challenges. Indeed, as discussed in Chapter 3, China's threats potentially stem from economic aspects, as a side effect of its potential benefits. In this regard, economic partnership and cooperation between Indonesia and China are not far from competition which has the potential to threaten some elements of Indonesian business and industry. Economic cooperation may also make Indonesia dependent on China, which could potentially cause a threat to Indonesia's interests.

Consequently, Indonesia's foreign policy towards China in the economic sector reflects the ambivalence between opportunity and alarming threats. While trade and investments serve as profitable sectors for the country, both also carry the element of threat. The threat becomes imminent stemming from Indonesia's unpreparedness and lack of supportive infrastructure. Therefore, Indonesia's policy in the economic sector seeks not only to exploit the maximisation of China's economic fruit for the greater interest of the country, for example through the promotion of the growth of China's foreign investment in Indonesia and the increase in Indonesia's exports to the country, but also to defy the threatening factor of the free trade agreement both through proposing special talks with China and improving Indonesia's domestic preparedness.

President Jokowi's goal of Indonesia becoming the world maritime axis or the world maritime fulcrum provided enhanced momentum for Indonesia-China relations where Indonesia seeks robust FDI to build its maritime infrastructure. China has expressed its interest in participating in the project. During the meeting with President Jokowi in 2015, China's President, Xi Jinping, appreciated Indonesia's maritime agenda as it has been in conformity with China's project of the Maritime Silk Road. The leaders shared the objective of their two separate agendas to enhance regional and world connectivity ("Jokowi Holds Bilateral Meeting," 2015). Following numerous meetings between both leaders, which have been held since 2014, China agreed to provide loans to some of Indonesia's government owned enterprises for financing several mega projects. The loans accounted for US\$50 billion with relatively low interest rates and without requiring particular strategic and political concessions. Through some of its financial institutions, including the Industrial and Commercial Bank of China (ICBC) and the China Development Bank (CDB), China was interested in

financing the Bandung-Jakarta rapid railway, light rail transit, Trans-Sumatera toll road and electric power plant of 35 thousand watts mega (Sutianto, 2015).

While the Indonesian Minister for Government Owned Enterprises Affairs, Rini Soemarno, does not see Chinese investment as a threat (Sutianto, 2015), Indonesia should be very careful in concluding this agreement. The risk of receiving a large loan will be high, especially if Indonesia fails to pay it. Inherently, the failure to repay debt will have the potential to force Indonesia to be at China's mercy. Even so, the failure will potentially force Indonesia to sell the involving government-owned enterprises to China in the future. Given some of these enterprises are strategic assets, selling these to China will not be an ideal strategic choice. China's generosity, therefore, should be viewed with alarm, and a careful anticipatory plan for any worst case scenario of a hypothetical failure to repay the debt must be prepared in advance. This is not, of course, to argue that China's loan should be abandoned. However, it strongly encourages that careful estimation and decision on employing contractors from China that have a good reputation is one of the prerequisites to ensure that the projects financed by loans are going to be accomplished accurately. In the end, a careful plan will ensure that the country is not going to be dependent on China or give up its strategic enterprises to the giant partner.

Another of Indonesia's effort to reduce the negative impact in economic cooperation, especially in ACFTA as was discussed in Chapter 3, has been to ask for special talks with China. There were options of postponing the implementation of the ACFTA and renegotiating the 228 tariff items in which Indonesia feared to lose the competition with Chinese products. Renegotiating the agreement would be more costly as Indonesia must pay huge amounts of compensation, and it would involve other ASEAN member countries, and thus Indonesia preferred to have special talks which are more comprehensive and not limited to the question of 228 tariff items.<sup>189</sup> Several agreements have been achieved following the talks, which are still in progress, including forming a working group to analyse data and information of the two-way trade and recommend various steps with focus on

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<sup>189</sup> Indonesia's then Trade Minister, Mari Elka Pangestu said if Indonesia chose renegotiations, the option must be done in line with articles in the ACFTA. According to Article 6 of the ACFTA Indonesia must increase the compensations value to close to the modification value. The value of the 228 tariff items was expected to go up to US\$1.2 billion upon renegotiation compared to only \$43 million if the option was not taken ("Renegotiating ACFTA," 2010).

products in the list of 228 tariff objects such as steel, textiles and textile products and shoes. The working group will also monitor trade balance and anticipate possible hikes of imports in the two countries. Domestically, Indonesia also set up a Directorate General of Standardisation and Consumer Protection under the Ministry of Trade to support the implementation of standardisation of national products to meet competition in the global market (DJSPK, n.d.).

#### **7.2.5 Weaknesses and Challenges in Indonesia's maintenance of a dynamic equilibrium**

In general, the previous discussion has made it clear that Indonesia's policy towards China has pursued an array of measures that conforms, to some extent, with the guidelines of equilibrium maintenance. Nevertheless, these efforts are not totally faultless, and some challenges remain. The first challenge is to promote an integrated national stance, and to garner integrated domestic acceptance and support as prescribed in the first guideline. Much homework needs to be done domestically, not so much in the foreign policy area. In the bureaucratic sector, limited coordination between government institutions remains obvious. This is represented in the occasional interruption of communication between ministries on particular policies towards China. As a result, Indonesia fails to display a continuous and integrated standing in the face of China. In response to the accident between Indonesian coast guard and Chinese vessels in the Natuna waters in March 2016, for example, this crumbled official position has been obvious. While Indonesia's Ministry of Foreign Affairs (MoFA), supported by the Ministry of Marine Affairs and Fisheries, summoned the Chinese envoy in Jakarta and sent a diplomatic protest to China declaring that Chinese coast guard intervention in law enforcement efforts in the Natuna had violated Indonesia's territorial sovereignty and thus seeking Chinese formal response, the Presidential Office stated that the incident was a normal encounter and should not prejudice Indonesia-China's relations. Failing to demand China's further clarification, Indonesian Minister for Cabinet Secretariat –Pramono Anung, a close aide to the President – has reprimanded the message of the previous diplomatic note issued by his colleague at the Indonesian MoFA protesting and asking for China's respect of Indonesian territorial sovereignty (Kuwado, 2016).

Equally important, the TNI's strategy to deploy an additional air force squad in the Natunas and to equip them with more advanced military devices should be followed by an improvement in the coordination of 12 institutions that are responsible to maintain and enforce law in Indonesian waters.<sup>190</sup> However, *Bakamla*'s operating Chief Commodore, Wuspo Lukito, admitted that *Bakamla* is trapped in overlapping agencies and lack of coordination among relevant authorities that patrol the water (Afrida, 2015). Indeed, a vigorous coordination between Indonesian maritime agencies is long overdue in the country. In view of the threat of China's bullying as discussed in Chapter 3, strengthening Indonesia's Airforce only will not be sufficient to address threats that mostly happen in the sea. While stationing stronger military forces in the area is essential as a sign of Indonesia's firmed commitment to secure its territorial integrity, improving the coordination and the ability of relevant authorities patrolling the water is also crucial.

Secondly, in the economic sector, there is an urgent need to balance the goal of protecting the less strong players of Indonesian businesses, including micro enterprises, with the desire to become a player in global value chain through free trade agreements, especially with China. Some domestic protests towards the ASEAN-China Free Trade Area (ACFTA) are an example that each foreign policy requires an effective agent. Indeed, any decision making should be able to show consistent and corresponding efforts between, on the one hand, the decision to sign a bilateral or multilateral deal and, on the other, domestic policy to improve or prepare internal readiness to anticipate the implementation of the signed deals. It becomes worse when it is not unusual to find that the job performance of a team at the Indonesian MoFA is evaluated from the numbers of MoUs, agreements or the like that they conclude or sign.<sup>191</sup> Unfortunately, this sometimes does not take into account whether the MoU (or the like) is truly in the

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<sup>190</sup> President Jokowi established the Maritime Security Board (*Bakamla* / *Badan Keamanan Laut*) that is tasked to coordinate 12 institutions to enforce Indonesian law in the Indonesian waters. The institutions include the Navy, the water police, the Customs Office, the Immigration agency, prosecutors' offices, the Maritime Affairs and Fisheries Ministry, the Foreign Affairs Ministry and the Transportation Ministry.

<sup>191</sup> In fact, according to the Strategic Plan of Indonesian Ministry of Foreign Affairs 2015-2019, the achievement of Indonesia's bilateral relations is measured based on some indicators, including the numbers of agreed documents and initiatives in political and security, economic, trade, investment and socio-cultural cooperation (Indonesian Ministry of Foreign Affairs, 2015b p.3).



interest of Indonesia, or whether Indonesia really needs the signed deals and, equally important, whether domestic readiness has been confirmed.

This is, however, not to suggest that the already concluded deals with China, especially the ACFTA, reflected careless decision-making processes. In fact, as the discussion in this chapter suggests, Indonesia needed to conclude most of the deals with China. With a special regard to the ACFTA, for example, the agreement potentially benefits Indonesia's interests in various dimensions. The ACFTA promotes the interactive development of political relations between China and ASEAN countries (Zhang, 2006); brings changes in Asia-Pacific international relations; and further reveals the strategic intention and policy objectives of the US, Japan and India in East Asia (Liu, 2008). Equally important, the ACFTA and economic cooperation between Indonesia (along with other ASEAN member countries) and China will help provide a basis of trust for integration and promote the integration process in the region (Wei, 2005).

Nevertheless, with growing criticism and public dissatisfaction over the conclusion of the ACFTA, there is a need for congruent and corresponding decisions between the signing of the deals with domestic policy in improving and preparing Indonesian readiness to face the implementation of the deal. As a matter of fact, complaints emerged due to the unpreparedness of the domestic community to compete with Chinese businesses upon the implementation of the ACFTA (Pambudi and Chandra, 2006). Insofar as this incongruence remains, it is not easy to envision that Indonesia-China growing bilateral cooperation will help Indonesia's policy for the maintenance of a dynamic equilibrium, because such trade cooperation, in itself, is potentially a source for bilateral disputes in the future.

Thirdly, to promote the objective of maintaining equilibrium, bilateral agreements, MoUs or treaties need further implementation and enhancement. It is admitted that while everything looks ideal on paper, both Indonesia and China are striving to work on the implementation of the deals. In fact, the Indonesian government has admitted that most of the bilateral agreements which have been signed are poorly implemented. Indonesia's intention to enhance military and security relations with China is seemingly not realised fully on the ground. Some of the agreements in defence and military cooperation are running slowly or at an unexpectedly low level. Not only do some Indonesian elites in the defence sector

consider that there are gaps in the quality assurances of China's military technology, but also the lack of familiarisation with China's devices, among others, contributes to the slow process in the implementation of the Indonesia-China military and defence cooperation agreement.

In addition, this weakness also includes a lack of bilateral cooperation between authorities that are in most likely to have troubling encounters, particularly in the Natuna waters. In this respect, cooperation between Indonesian and Chinese coast guards or patrolling authorities through joint patrol and exploration or sharing of best practices, has been long overdue. Moreover, the lack of bilateral cooperation between Indonesia and China in this field is also compounded by Indonesia's considered-exclusive approach to get vessels or patrolling boats from countries, particularly Japan, which China regards as a strategic rival containing its interest in the disputed area.

The challenge in the slow implementation of military and defence cooperation, including the lack of coast guard joint cooperation, has been caused by their relatively nascent contacts, particularly in comparison to bilateral political and economic ties. Two decades of suspension in bilateral relations have led to a shortage of information and trust in both countries with each other. Thus, despite the strategic partnership declaration in 2005, bilateral defence contacts between the TNI and PLA, for example, remain largely at the senior level, with working level ties mostly in multilateral events including those also involving other South East Asian countries, educational and training opportunities for Indonesian officers in China, and exchanges of visits.

Fourthly, Indonesia's equilibrium maintenance is marred by an obvious pragmatism. This is closely related to Indonesia's pursuit of the guideline prescribing a non-exclusive relationship which is seemingly pragmatic in nature. A sense of pragmatism has shaped Indonesia's foreign policy towards China and the US. There is actually nothing erroneous in the pragmatic nature, because the hedging and omni-enmeshment moves which are required by the dynamic equilibrium concept are inherently pragmatic. However, Indonesian problems lie in the way the moves are conducted and displayed. So far, Indonesian policy towards a particular country has been displayed in such a way that demonstrates its priority only to a particular country that complements and enhances what the elites perceive as favourable to Indonesia's greater interests. Undeniably, as long

as the degree of pragmatism is displayed in an obvious manner, Indonesia's balanced policy between the two powers – China and the US – is not going to be smooth.

Last, but not least, is the guideline of promoting Indonesia's national comprehensive power. The Indonesia-China asymmetrical relationship, highlighted in Chapter 3, confirms large differences in the national comprehensive power of both countries and, in turn, influences the effectiveness of Indonesia's pursuit of equilibrium maintenance towards China. Indonesia's pursuit of the policy is to some extent limited and incapable to help shape the trajectories of China's foreign policy. In addition, the various cooperation in economic, military, security and political fields have highlighted the degree of Indonesia's relatively weaker and dependent stance on China. Chapter 3 has also discussed that China's behaviour towards the region will be, to some extent, influenced by its intention to garner good friends and build a good image, as well as to promote economic interests. Here lies the common interest that China and Indonesia share especially to promote stability and harmony. However, Indonesia's relatively limited capabilities and leverage towards China are insufficient to exert influence, let alone put pressure, on China. Consequently, while it is still important for Indonesia to observe and abide by the four guidelines to maintain regional equilibrium, the outcome of the policy remains, to some extent, in the hands of the bigger power.

### **7.3 Conclusion**

This chapter has discussed Indonesia's policy towards China, especially with regard to the former's intention to maintain a regional equilibrium. The ambivalent perception towards China, of opportunity and threat, has largely shaped the main agenda of Jakarta's policy towards Beijing, which is to promote opportunities and, at the same time, to minimise threats. Indeed, contrary to the basic principle of the theory of the balance of threat, the ambivalent perception has led Indonesia to seek good relations with China, the threatening actor, through economic, strategic and military cooperation. While promoting opportunities to serve its interests, maintaining good relations with China also serves to secure Indonesia from any possible threat. It is in the light of these two prime objectives that Indonesia's policy of equilibrium maintenance is being assessed.

Using the four guidelines, this chapter argues that Indonesia has displayed an array of efforts that conform to Indonesia's intention to maintain regional equilibrium. In fact, throughout the last decade, Indonesia's foreign policy has sought to pursue strategies that exploit maximal gains and minimise any risk of antagonising China while, at the same time, not unnerving the US. In this regard, Indonesia's moves have been in conjunction with several of the following guidelines: promoting an effective leadership domestically through enhanced cooperation between government agencies; seeking to entangle China in the web of regional and international cooperation and norms; promoting a non-exclusive relationship with China; promoting bilateral cooperation with China for confidence-building measures through defence diplomacy; and promoting cooperation based on equal rights, respect for law and order, an open relationship and public scrutiny.

Despite their conformity to the guidelines, some challenges and weaknesses are, however, noted. These include a challenge to garner domestic support and pursue integrated policy. Some main causes for this domestic challenge are little coordination between government agencies, non-corresponding efforts between, on the one hand, the decision to sign an international deal, and on the other, domestic policy to improve and prepare domestic readiness for the implementation of signed deals; poor implementation of signed bilateral agreements, MoUs or treaties, and the lack of bilateral cooperation in the field of most common concerns and encounters; as well as pragmatism that is displayed in an obvious manner. Equally important, the asymmetrical power relationship evident in Indonesia-China interactions has affected Indonesia's relatively limited capability to influence the trajectories of bigger powers' foreign policy in the region. In conclusion, it is clear that while the intention to maintain the regional equilibrium is apparent, some challenges continue to affect Indonesia's ability to maintain that equilibrium in the midst of regional developments.



## **Chapter 8: Indonesia-Great Power Relations: Indonesia's Quest for the Maintenance of a Regional Dynamic Equilibrium in its Relations with Japan**

This chapter assesses Indonesia's foreign policy to promote the concept of a regional dynamic equilibrium in its bilateral relations with Japan. Similar to the two previous chapters, it analyses the conditions that enable the pursuit of equilibrium maintenance in Indonesia's policy towards Japan. In explaining the nature of Indonesia's policy for equilibrium maintenance, this chapter investigates some influential elements in the country's foreign policy making, including elites' opinions and national interests. This chapter also employs six operating guidelines for the maintenance of equilibrium; some of which are similar to those used in the last two chapters. Serving as conditions, the six guidelines are formulated based on the series of conceptual and theoretical frameworks discussed in Chapter 2 and an array of impacts of Japan's military transformation, and the dynamics of Japan's relations with the US and China as discussed in Chapter 5. In the end, this chapter argues that despite some weaknesses, there has been a degree of conformity with the guidelines for the maintenance of a dynamic regional equilibrium in Indonesia's current policy towards Japan. In this regard, Indonesia's domestic elements, along with the nature of Japan's interactions with China and the US, have influenced the trajectories of Indonesia's pursuit of the policy for equilibrium maintenance.

### **8.1 The Quest to Maintain a Dynamic Equilibrium in Indonesia's Policy towards Japan**

As was discussed in Chapter 2, the maintenance of a dynamic equilibrium is not a prescription for an absence of war or the presence of protracted peace, where both war and peace are narrowly defined. Rather, similar to the definition of peace made by Weissmann (2012), this study sees that maintaining an equilibrium is to promote peace in the context where peace is something going beyond the absence of armed conflict or war. Here, peace is regarded as both conflict prevention and peace-building mechanisms. Peace is defined, on the one hand, as protracted efforts towards conflict prevention which sets out conditions conducive to avoid violence or to prevent negative relations from escalating and, on the other, as

peace-building mechanisms which promote conditions conducive to peace and to develop positive relations between states.

To assess whether Indonesia's current policies are in accordance with the equilibrium maintenance principle, this chapter employs six operating guidelines. In this respect, these guidelines serve as the optimum choice amidst the limited choices available for a relatively weaker power, like Indonesia, to minimise the risk of rivalries between great powers escalating and harming its interests.

Any escalation of tensions between Japan, the US and China, will have much to do with the strategic judgement of each of them. This strategic judgement will be influenced by various factors including miscalculation and misinterpretation of the others' moves. While Japan's transformation is influential in shaping its relations with China and the US and, in turn, contributes to the future order (or disorder) of the region, it is expected that by employing the six guidelines, Indonesia is able to contribute to influencing Japan's strategic judgement in its relations with other great powers so that great power interactions are non-threatening and conducive to Indonesia's interests. It is expected that, at a minimum, the six guidelines will help Indonesia to encourage Japan to recognise the benefits of cooperation, policy restraint and confidence-building.

The six guidelines include: (i) supporting Japan's presence in the region; (ii) intensifying cooperation with Japan to strengthen regional institutions; (iii) promoting cooperation in military and defense systems; (iv) promoting trade and investment cooperation; (v) engaging with Japan in a way that does not interrupt the efforts to maintain relationships and cooperation with China and other regional players; and (vi), supporting a close Japan-US alliance which is not to balance against China but to ensure Japan's transformation does not become a destabilising factor in regional security. Indeed, the six guidelines are minimal requirements for Indonesia's intention to maintain a regional equilibrium in the midst of Japan's transformation and Japan-China-US interactions in the region.

### 8.1.1 Why the six guidelines?

This chapter will add some arguments, in addition to those discussed in Chapter 6, that support the significance of these guidelines in the promotion of the maintenance of equilibrium.<sup>192</sup>

First, the six guidelines reflect the writer's optimism about the possibility of positive trajectories in the great powers' relations to maintain regional peace and stability. Indeed, Sutter (2014) argues that despite US-China or Japan-China relations having areas of differences that cause uncertainty, there are three aspects that might make their relations manageable. These are: (i) they have interdependent interests; (ii) overwhelming domestic priorities which need continuous economic development; and (iii), their perception that positive engagement in various areas have benefitted their interests and will lead them to pursue "pragmatic engagement, seeking better cooperation and careful management of differences" (p. 363).

Secondly, in conjunction with the minimalist approach discussed in the previous chapters, the six guidelines allow Indonesia to secure cooperation with all of the powers, including Japan, to support Indonesia's interests. The guidelines are appropriate measures with which to engage harmoniously with as many powers as possible, in this particular regard Japan, to gain benefits and defy threats. Accordingly, in military tension and rivalries concerning the overlapping claims of the Natuna waters in the SCS, employing the six guidelines will potentially enable Indonesia to earn the support of Japan.

Thirdly, the six guidelines seek to enhance Japan's role in promoting regional harmony and cooperation. The guidelines promote the element of empowering regional harmony through the support of external great powers. Some operational cooperation initiated between Japan and regional countries in promoting security and safety in the SCS can potentially help intensify this harmony. In addition, regional harmony along with Japan's support will work as a deterrent to any threatening actor. In particular, other South East Asian claimant countries, supported by major powers, can cooperate to establish joint counter-

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<sup>192</sup> As the nature of Japan's position towards China is somewhat similar to the US' position discussed in Chapter 6, and in the context of great powers relations Japan and the US have, to some extent, a similar stance in the midst of China's rise, the guidelines employed in Chapter 6 are used to support the argument and the formulation of the guidelines in this Chapter.



measures against any potential threatening actor. In this case, if China were to engage in military action to seize the overlapping area, it would not be able to prevail decisively. As such a military adventure would be costly, it is expected that China will be deterred from pursuing a military manoeuvre in an area far from its coast. Yet, Japan's deterrence, along with the US, will only be effective if both powers are able to display a commitment and determination to intervening in regional security matters. While Japan's commitment to involve and take sides against China in any conflict in the SCS remains to be seen, the six guidelines seek to strengthen such commitment and determination.

Fourthly, the fifth guideline potentially avoids a bipolar world. The possibility of a bipolar world has been predicted by Xuetong (2015), in which regional countries, including Indonesia, are left with a choice between two great powers only; the US and China. Indeed, the three chapters in Part 1 have argued that the impact of the US rebalance policy and Japan's transformation in the midst of China's rise has increased the possibility of contending bipolar interactions between the US and China or between Japan and China, as well as between the US and Japan on one side, and China on the other in the region. Japan's transformation thus requires an atmosphere of an open regionalism where Indonesia should promote the participation of other external players to create multi-polar interactions to avoid a possible contending bipolar system in the region. In addition, any view that suggests the region should be seen in a bipolar context is misleading. Bipolarity might be one of the possibilities that Indonesia should avoid. Bipolarity will be not beneficial for Indonesia as it will shape and restrict Indonesia's foreign policy to focus on balancing between both powers only at the expense of neglecting other great powers' potentials. In fact, the six guidelines ensure multi-polarity within Asia. Sharing Green's argument (Green, 2012), the region should be made multi-polar by involving and empowering other great powers in the region. In this multi-polar region, argues Green, the US remains central, but "China closes the gap, and middle and smaller states align and manoeuvre to affect an equilibrium" (p. 358).

With Japan's increasing involvement in the regional dynamic along with other powers, Indonesia and the region can acquire significant weight to establish a multi-polar system in the midst of contesting China and the US, or China and Japan. Consequently, by hoping the world is multi-polar, Indonesia is expected to

devise a foreign policy with multi-directional approaches which are not restricted to particular powers only. In this regard, Indonesia needs to regard Japan and other external regional powers as regional players with similar importance. Here lies the heart of the maintenance of a dynamic equilibrium where Indonesia should regard all powers in the region as playing important roles in shaping regional order. Indeed, this guideline is in accordance with the concept of a “dynamic equilibrium” that requires the creation and maintenance of a regional order through pursuing the “omni-enmeshment” of major powers.

In addition, the six guidelines seek to establish a good relationship with Japan in a way that the relationship can ensure that China’s rise is also accommodated. Similarly, in a multilateral context, it is important for regional groupings to not demonstrate pro-Japan and pro-US groups in order to contain China’s threat. These guidelines will encourage not only Japan, but also both China and the US’ attachment to regional institutions, as neither party regards regional organisations as a threat.

Furthermore, the sixth guideline prescribes Indonesia to support the US staying in the region by encouraging the Japan-US alliance. Sharing Leavitt’s argument that Japan-US defence cooperation potentially enhances the US’ presence in the region (Leavitt, 2005), this thesis argues that the US-Japan alliance potentially contributes to two positive outcomes for Indonesia’s interests. On the one hand, as discussed in Chapter 6, it is in the interest of Indonesia to see the US’ presence in the region as a counterweight vis-à-vis China. On the other, the US’ presence reassures Indonesia and other ASEAN governments that Japan’s potential supremacy stemming from its military transformation would be checked by a larger force.

It is thus in Indonesia’s interest to support the US-Japan military alliance as it will be potentially important in strengthening a dynamic equilibrium in the region. This position is, however, in disagreement with China, especially if the alliance was regarded as a containment policy against the latter or as potentially harming China’s interests in disputed areas such as the ECS, the Taiwan issue and the SCS. China’s discomfort is evident, for example, in a response to the development of the US-Japan military alliance, Chinese Foreign Ministry Spokesperson, Hong Lei (PRC’s Ministry of Foreign Affairs, 2015) said that: “The US-Japan alliance is a bilateral arrangement forged during the Cold War

period. Lei added: “In today’s world where the Cold War is long-gone, the development of this alliance deserves the attention of all parties” (para. 12).

Therefore, to minimise the effect of the US-Japan alliance, especially given China’s uneasy view of it, the implementation of these six guidelines, which inspire an even-handed or balanced policy, are necessary. Indonesia’s support for the Japan-US alliance should come with Jakarta’s maintaining good relations with Beijing, and the effort to convince Beijing that the alliance is needed to put a check on Japan’s military transformation in the region. Indonesia’s even-handed, or balanced policy, is expected to minimise the potential risk of an escalation in tensions by engaging all and not alienating any party. At the same time, the policy, as prescribed by the six guidelines, also potentially minimises Indonesia’s risk of total losses stemming from either taking sides and bandwagoning with, or balancing against, one particular power.

The guidelines are closely related to Indonesia’s support for a harmonious US-China relationship as discussed in Chapters 6 and 7. Accordingly, as Japan engages in close and interdependent relations with the US, positive relations between Japan and China will potentially have an impact on minimising possible tensions between the US and China; a dynamic that Indonesia seeks to pursue.

Lastly, these six guidelines seek to ensure that external great powers, especially the US and Japan, remain present and cooperative in promoting regional peace and stability. The guidelines inherently carry the element of anticipation to avoid possible negative developments such as the US leaving, or Japan’s disengagement from, the region. The absence of either of these powers in the region, as prescribed by many Realists, will enhance the risk of a power vacuum developing. The power vacuum may be filled by China, which will see the absence of other great powers as a chance to further its preponderance in the region (Gurtov, 2002; Weissmann, 2012).

## **8.2. How Indonesia’s Policy for the Maintenance of a Dynamic Equilibrium is Being Pursued**

By assessing what the country has done in relation to the six guidelines, this thesis argues that Indonesia’s foreign policy towards Japan has been, to some extent, in conjunction with the guidelines for the maintenance of a dynamic equilibrium. Indeed, as will be discussed later, in its elite’s perceptions, official principles and practices, Indonesia has greatly supported Japan’s presence in the region;

encouraged Japan's support and participation in strengthening regional institutions; and carefully crafted a foreign policy towards Japan on the basis of not annoying and harming China. In addition, Indonesia considers the Japan-US alliance as a stabilising factor that helps put Japan in check and leads the US to stay in the region. Similarly, Indonesia encourages Japan's engagement in regional institutions for empowering the forums and sitting with other great powers to have constructive dialogue and preventive diplomacy. Gradually, Indonesia has also engaged in military and defence cooperation with Japan. Economically, Indonesia relies on Japan as a major trade partner and investor that can help Indonesia offset its trade deficit and promote national development. However, these conformities face challenges that are triggered by both internal and external factors, and are either intentionally crafted or beyond the reach of Indonesia's control.

#### **8.2.1 Indonesia in the midst of Japan's transformation and interactions with other powers: Balanced moves between confidence and concerns**

Similar to the policies towards the US and China, Indonesia's policy towards Japan has been influenced by the perception of the country's elites. The perception of these elites confirms a degree of confidence that Japan, in the midst of its transformation and interactions with other powers, potentially offers direct positive impacts for Indonesia. Nevertheless, this confidence is marred by one common perception: namely, that Japan's transformation potentially carries an indirect threat towards Indonesia's interests.

Several issues – ranging from the current dynamic of economic development, an interdependent world and Japan's attractive engagement, along with its assistance and cooperation with Indonesia and a shared concern on facing possible traditional and non-traditional security threats – have determined Indonesia's current more positive view of Japan. This position was a departure from pre-1960s' Indonesia, when the 1977 Fukuda Doctrine along with Japan's Official Development Assistance (ODA) and other economic packages had not been in place, or had just begun.<sup>193</sup>

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<sup>193</sup> In the earlier days of Indonesia-Japan relations after WW II, Fryer and Jackson (1977) write that Indonesia still maintained bitter memories of the Japanese military occupation. The bitterness did not get any better as Japan has never apologised for the calamities and destruction it caused during the war. Japan's insensitivity was mixed with notorious arrogance and aloofness by

The shift in Indonesia's perception towards Japan is influenced by the country's strategic view and realistic considerations that see better relations with Japan as more valuable than submerging Indonesia in negative memories towards it. Leavitt (2005) contends that the negative memory of Japanese violence has been overcome by realism and strategic views. In this respect, common threats, mutually conducive goals and regional cooperative institutions determine the neighbouring countries' perception of Japan's role in the security sphere of South East Asia.

In reality, according to one of the higher echelons in Indonesia's Ministry of Foreign Affairs, the region should not worry much about Japan's military transformation. This is because current Japanese political norms have been very different from those before World War II. Regional dynamics in Asia have also changed, and have shaped Japan's international attitude to be more restrained. More importantly, according to this perception, Japan's economy is highly interdependent with the world and thus its military transformation will not lead Japan to be more aggressive as it will be costly for its economy.<sup>194</sup> A similar perception has been raised by the majority of Indonesian elites who argue that Indonesia should support Japanese military modernisation as it potentially maintains the balance of power in the region given Chinese rise militarily.<sup>195</sup>

Likewise, some scholars note that Japan's military transformation has not been a prime cause of China's military build-up. Rather, it is a rational consequence of China's robust economic growth (Kissinger 2012). China's dependence on the security of international sea lanes requires modernisation of its naval power (Page, 2011). McDonald and Tanter (2015), and Ball (2011) share the view that the region has been replete with military competition stemming from action-reaction dynamics between countries, which are not limited to China and

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Japanese businessmen or officials overseas and their isolation from the local community. Accordingly, all of these further exacerbated the bad image of Japan in South East Asia, not excluding Indonesia. For more views of Indonesia-Japan relations at the beginning of their bilateral relationship, see for example, Nishihara (1976) and Elson (2001).

<sup>194</sup> Personal communication [interview with a staff member of the Indonesian Ministry of Foreign Affairs], March 22, 2014

<sup>195</sup> From 51 respondents, 32 participants (62.7%) agreed with the idea that Japan's military transformation is a directly non-threatening fact, and is important to balance the rise of China. In their mid-forties or early fifties, most of the Indonesian foreign and defense policy elites learnt about the brutal Japanese military practices in the country only from historical lessons and heroic movies.

Japan only. Therefore, realising such dynamics, some Indonesian officials maintain that Indonesia's concern over Japan's military transformation should not be based solely on whether it potentially triggers a security dilemma, but should also focus on how Japan's military power remains stronger and is able to work as a counterweight against a rising China.<sup>196</sup>

The majority of the Indonesian elites' views on the Japanese transformation are not different from the arguments of many scholars. While there is a tendency for Japan's policy to be more nationalistic than at any time in the recent past, Japan's military posture is not as dangerous now as its WW II one inasmuch as Japan's military is not well equipped to deal with its current national security challenges (Logan, 2012). Also, Japan's dependence on the US military umbrella for the last three decades has influenced its lack of military investment these days and hence today's Japan just focuses on how it can play a greater role in the region and address the challenge of China's rise (Fackler, 2012). Similarly, while arguing that Japan is not a threat to the region, White (2012) and Harner (2014) share the view that Japan's military modernisation just seeks to make the country less dependent on the US in addressing China's military threats.

Nevertheless, despite most of the Indonesian elites being of the opinion that Japan's military expansion is not intended to occupy Indonesian territory, others still hold a threat perception towards Japan especially in the form of the potential impact of Japan's military transformation on regional tensions. It is not the return of Japan's military conquest of Indonesian land that concerns the elites, but rather that some elites see the threat of Japan's military as being largely in the form of its consequence to cause a security dilemma with its immediate neighbours, particularly China. Japan's transformation, which would potentially lead to its increasing assertiveness, will increase the risk of military competition and possibility of armed clashes with China.<sup>197</sup> These elites have seen that an arms build-up in the region has been obvious, especially with China pursuing its military modernisation and acquiring an anti-access / area-denial strategy (as discussed in Chapter 3). For some, this dynamic potentially leads to the

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<sup>196</sup> Personal communication [interview with a staff member of the Indonesia's Ministry of Defense], April 2, 2014

<sup>197</sup> This concern is not unique in the region. It is shared by other governments in South East Asian (Storey, 1999-2000).

degradation of regional peace and stability in which Indonesia's interests can be affected.

Although the extent of Japan's threat to regional stability remains, in general, Indonesian elites believe that there is a positive side to Japan's transformation. It potentially brings about the possibility of Japan's greater positive involvement in South East Asia's affairs. Indonesia expects that Japan can contribute, in addition to economic development, to the strengthening of regional efforts to curb common security threats, mostly non-traditional security issues. This has been proven from cooperation both in multilateral and bilateral schemes between Indonesia and Japan, to address common challenges.

The statement of the then Indonesian President SBY, in a speech during the ASEAN-Japan summit in 2013, further revealed Indonesia's position on Japan's transformation. The summit, which was attended by Japan's PM Shinzo Abe, saw SBY express Indonesia's understanding of Japan's evolving interest to play a larger security role. SBY implied an Indonesian concern over Japan's military transformation by reiterating that "it is important that Japan's evolving security role is pursued gradually, in a transparent manner, and in ways that would strengthen international security, regional order and enhance confidence-building" (Hussain, 2013; para. 1). SBY's speech expressed the view that Indonesia welcomed Japan's transformation and greater engagement in the region, but expected that this would be done in a way that strengthens regional order and builds trust.

Indonesia's foreign policy towards Japan seeks to pursue balanced moves between Indonesia's confidence and concerns. As will be discussed further, it cannot be denied that Indonesia seeks Japan's military and economic power on the one hand to promote Indonesia's "even-handed" or balanced policy vis-à-vis other powers, especially China and to minimise any possibility of regional tensions spurred by Japan's transformation and, on the other, to support Indonesia's national development. Taken together, in view of Chapter 5, both Indonesia and Japan share the interest to maintain regional peace and security. In this respect, Indonesia's policy towards Japan displays a common position with Japan's attitude on current regional architecture, which is on the one hand, alarmed with China's rise and, on the other, pleased for opportunity offered by China's economic cake.

### **8.2.2 Indonesia's policy towards Japan: Seeking support for a balanced or even-handed policy and avoiding regional tensions through empowering regional forums**

Indonesia's policy towards Japan under President Jokowi to some extent shows continuity with that of the previous administration. Indonesia cannot deny the element of rivalry between major powers in their interactions either in the military or economic dimension. To maximise the benefit, and avoid the risk of calamities arising from this rivalry, Indonesia's policy towards Japan has been shaped by its need to have a balanced or even-handed policy towards the major powers by being friends with every power.

It is clear that Indonesia acknowledges that rivalries and cooperation between Japan, China and the US are a reality in current regional dynamics. Rizal Sukma, Jokowi's then advisor on foreign policy told *the Wall Street Journal* (Oto, 2015) that: "In the 21st Century, all major powers will flock to East Asia and compete or cooperate; there will be a new order. Indonesia needs to be active in shaping that" (Para. 2). Sukma implies that seeking to drive away these great powers from the region is not relevant any longer. Indonesia, therefore, must be active in shaping the interactions of these great powers so as to convert all possible threats to opportunities. Indonesia sees the need for it to play a mediating role between Asia's two largest powers, China and Japan, in part by continuing to empower and unite the ASEAN countries as a counterweight to both. In addition, Sukma also asserts that Indonesia needs to demonstrate that it is still a country open to working with all major countries.

Indeed, Sukma's idea shares the basic position of the policy of the maintenance of dynamic equilibrium proposed by the previous administration. As Marty Natalegawa envisioned, the policy for the maintenance of equilibrium is defined as a strategy that demonstrates Indonesia's enthusiasm, together with the other nine ASEAN countries, to act like a "conductor" in a regional orchestra (Acharya, 2015). In this respect, by intensifying its bilateral cooperation with Japan, Indonesian elites assume that the country can generate common advantages and, at the same time, push Japan-China relations towards a more friendly and harmonious relationship. Indonesia sees that its close relations with Japan can bridge and accommodate Japan's relations with China. More importantly,



Indonesia's bilateral relations with Japan are not expected to lead to a strategy of power balancing at the expense of others.<sup>198</sup>

This position obviously demonstrates that Indonesia's policy for the maintenance of equilibrium does not seek a security alliance or international military cooperation that specifically acts as a counter balance against another power. In the Indonesian elites' minds, a security alliance would potentially lead to prolonged rivalries between powers.

Although not all the aspects of Indonesia's relationship with Japan are necessarily interpreted as balanced moves in its relations with China, undeniably, Jokowi's visit to Japan and China during his first overseas trip after assuming the presidency has demonstrated this balanced intention. By visiting both countries in March 2015, Jokowi has made it clear that China and Japan carry similar significance for Indonesia. In fact, some Indonesian officials admit that through the visit Indonesia sought to pursue a balanced policy between Japan and China in order to bring both powers into the same spectrum of cooperation, discussion and mutual interdependence.

Turning to the Indonesian elites' view of Japan-US relations, despite most elites understanding the historical relations between the two close allies, especially after WW II, elite perceptions on the Japan-US military relationship are varied. Some officials, mostly from the Ministry of Defense, have insisted that any military pact between the two powers is not conducive to peace and security in the region. A military pact reflects a Cold War atmosphere in which a potential arms race and a destructive and belligerent balance of power dynamic will emerge.<sup>199</sup>

Other members of the elite, however, welcome the Japan-US military pact as they understand that it has played an important role in maintaining regional security and order over the last few decades.<sup>200</sup> In reality, the Japan-US military relationship is not new to Indonesia as Japan's military contribution to the

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<sup>198</sup> Personal communication [interview with a staff member of the Indonesian Ministry of Foreign Affairs], March 24, 2014

<sup>199</sup> Personal communication [interview with staff members of the Indonesian Ministry of Defense], March 24 and April 2 and 6, 2014

<sup>200</sup> Personal Communication [interview with staff members of the Indonesian Ministry of Defense and Ministry of Foreign Affairs], March 24 and April 2 and 6, 2014

region's stability during the Cold War had been identified through the "mechanism of the Japan-US alliance" (Hook, et al., 2005; 252).

Furthermore, as Chapter 6 suggests, Indonesia's perception of any foreign military alliance in part depends on the location of that alliance. In the light of the proximity logic of the balance of threat theory, the Japan-US defence pact is not a threat, unlike the US-Singapore or US-Australian ones. However, while understanding China's apprehension over enhanced Japan-US defence cooperation, some of the Indonesian elites are worried that Japan-US cooperation could present a threat to regional stability, but hope the cooperation will only lead to strengthening the regional order and security.

As previously mentioned, concerns over any possible rivalry that might erupt between the three powers does not necessarily lead Indonesia to think that any power should be excluded from the region. Indeed, Indonesia sees the need for the three powers to stay in the region and remain cooperative for regional order. In this regard, Indonesia's intention to see Japan's greater involvement in the region has been equal to its intention to see China's and the US' presence. Indonesian elites believe that having the three of them in a cooperative model is not easy, but it is also not impossible. The three powers, together with other states in the region need each other, especially in the midst of non-traditional security threats.<sup>201</sup> This position was highlighted in Indonesia's foreign policy. In a speech at the Shangri-La Dialogue in 2012, the then Indonesian President SBY stressed that, "currently nations have come to [a] realignment of interests. Common challenges such as terrorism, natural disasters, people smuggling, piracy, and economic interests are forging common interests that compel nations to work together. In the fight against common threats, nations are partners and allies" (The International Institute for Strategic Studies, 2012).

Indeed, Indonesia has supported Japan's engagement in the region both through bilateral schemes between Japan and individual countries, and through such regional platforms as ASEAN and the Family. As discussed in Chapter 5, the China-Japan competition for influence has been prominent especially following the Asian Financial Crisis in which both countries competed to offer financial

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<sup>201</sup> Personal communication [interview with staff members of the Indonesian Ministry of Foreign Affairs and Ministry of Defense], April 2 and March 24, 2014

assistance. Since then, the region has seen Japan's greater engagement in economic cooperation with the region through free trade agreement and facilitation of investment deals. Furthermore, Japan's engagement has also been salient in security cooperation through regional organisation such as ASEAN and the Family. As will be discussed in Chapter 9, the region has seen the greater engagement of Japan in the East Asia Summit, ASEAN Plus Three and ASEAN Plus Japan. Japan's engagement in these forums have indeed increased the leverage and contributed to the development of the forums. In addition, Indonesia is also of the view that Japan's greater engagement, sitting with China, in regional forums will create a venue that supports preventive diplomacy and constructive dialogue between them.<sup>202</sup>

In the economic dimension, Indonesia realises the possibility of rivalries between Japan, along with the US, with China for influence, especially following the establishment of the AIIB. In a move which demonstrated propaganda in the battle for economic supremacy with China, Japanese PM Shinzo Abe said that Japan and the ADB would jointly provide US\$110 billion for the financing of "innovative" infrastructure in Asia over the next five years. This amount is a 30 percent increase on previous funding and exceeds the AIIB's US\$100 billion (Moriyasu, 2015).

Referring to this issue, Indonesia's position is to approach all sides. Indeed, one Indonesian official in the Ministry of Trade argued that these international financial institutions have different roles. In reality, the main focus of the World Bank and the ADB is on poverty reduction in developing countries, and the agenda of the IMF is mainly to stabilise the exchange rates of member states. The roles of these existing financial institutions are not overlapping with the China's AIIB which has a focus on financing infrastructure development in Asia.<sup>203</sup> The elites' fondness towards the AIIB, amidst concern in the country over speculation that Beijing would use the bank to serve its political, economic and strategic agendas, is in fact gaining support. As Sun (2015) argues, China's positions on the AIIB in 2015 have evolved and showed how its behaviour can be shaped by the

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<sup>202</sup> Personal communication [interview with staff members of the Indonesian Ministry of Foreign Affairs and Ministry of Defense], April 2 and March 24, 2014

<sup>203</sup> Personal communication [interview with a staff member of the Indonesian Ministry of Trade] April 5, 2014

collective efforts of the international community. Sun (2015) defies the critics of the AIIB by suggesting that the bank today is very different from the one China envisioned before March 2015. The AIIB evolution is reflected in a series of issues including “the membership, capital contribution, veto power, and the linkage between the AIIB and China’s own economic agenda, as well as its governance and standard issues” (para. 2).

While the rivalries among the institutions are shadowing Indonesia’s engagement with them, Indonesian elites will not put much stake on this rivalry. This is because Indonesia is interested in approaching all parties to seek more funds for the country’s development. President Jokowi’s speech at the opening of the 2015 Asia-Africa Conference underlined the role of such current financial institutions as the IMF, World Bank and the ADB. However, according to the President, just relying on the existing banks to address current challenges is not sufficient (Agestu, 2015). In this respect, according to an official of Indonesia’s Investment Coordinating Board, in addition to the country’s engagement with Japan, Indonesia also expects the AIIB to invest and support the country’s infrastructure development. Within the next five years, Indonesia will build 15 new airports, increase the capacity of 24 seaports, add 60 percent to the current railway tracks, as well as provide 35,000 megawatts (MW) of power. All of these developments need massive funds which Indonesia is lacking, and thus it requires international investors (Hafiiz, 2015).

### **8.2.3 Indonesia’s policy towards Japan: Seeking support for national military and economic development**

For Indonesia, Japan’s transformation also means a possible greater involvement of an Asian power in promoting shared regional interests. Thus, another main theme of Indonesia’s policy towards Japan is to seek Japan’s support for Indonesia’s national development. Historically, this policy of good cooperation with Japan has been pursued since Soekarno, and continued by Soeharto, as well as strengthened by successive Indonesian leaders from Habibie till Jokowi. Indonesia continues to annually secure an increased amount of Japan’s ODA (See Table 8.1). Japan also remains a leading creditor country for Indonesia. In fact, as of July 2015, Japan was the biggest creditor to the Indonesian government accounting for US\$15.6 million, or 55.5% of the government’s total external debt

under bilateral schemes totalling US\$28.24 million (*External debt statistic of Indonesia*, 2015).<sup>204</sup>

Year	Loan	Grant	Technical Cooperation	Total
1997	739,61	66,57	148,39	954,57
1998	1.034,51	114,60	123,99	1.273,10
1999	1.994,04	100,54	130,80	2.225,38
2000	945,66	52,07	144,60	1.142,33
2001	702,83	45,16	117,27	865,26
2002	441,59	63,54	126,46	631,59
2003	946,77	82,36	120,66	1.149,79
2004	452,52	25,47	105,96	583,95
2005	1.072,18	172,21	98,40	1.342,79
2006	882,83	60,67	91,11	1.034,61
Total from 1960-2006	<b>24.690,06</b>	<b>1.939,16</b>	<b>2.907,49</b>	<b>29.597,35</b>

*Table 8.1 The realisation of Japan's ODA to Indonesia in selected years (US\$ million)*  
(Source: The Embassy of Japan in Jakarta, c.a. 2006)

The growing bilateral relations between Indonesia and Japan have also been evident from the frequency of the exchanges of visits and meetings by leaders and senior officials of both countries. In 2013, for example, the heads of government from both countries held three bilateral summits: on the occasion of PM Shinzo Abe's visit to Jakarta in January; on the side-lines of the G-20 Summit in St. Petersburg in September, and the APEC Summit in Bali in October.<sup>205</sup> This frequency of meetings within a year highlighted the growing importance of the bilateral relationship to each state.

Similarly, an increase in people-to-people contacts has followed the growing governmental interactions. This is reflected by the increase in the establishment of friendship associations of Indonesia and Japan and the increasing number of agreements on the cooperation of sister cities or provinces between both countries. Japan has also received Indonesian youths and students for training in various fields including fisheries, manufacture, agriculture, health and

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<sup>204</sup> In total, Indonesian government's external debt under bilateral and multilateral schemes, as of September 2015, accounted to US\$129.47 million. Japan was followed by the International Bank for Reconstruction and Development (IBRD)-World Bank providing Indonesia with loans accounted to US\$12.32 million, and the Asian Development Bank (ADB) with US\$ 8.13 million (*External debt statistic of Indonesia*, 2015).

<sup>205</sup> Personal communication [interview with a staff member of the Indonesian Ministry of Foreign Affairs], April 4, 2014

defence.<sup>206</sup> In 2014, for example, there were around 3,188 Indonesian students in Japan. This number was an increase of more than 100 percent from 2004, when the total number of Indonesian students accounted to 1,451 people (Japan Student Services Organisation, 2004 & 2014). In addition, Indonesia's waiving of tourist visa requirement for Japanese since June 2015 aims to increase the numbers of Japanese visitors to Indonesia ("*Masyarakat Jepang*," 2015).

An agreement on a strategic partnership, which was signed by President SBY and PM Shinzo Abe in November 2006, emboldened the bilateral relationship. The strategic partnership agreement is aimed at improving bilateral cooperation in varied fields including infrastructure, natural disaster relief and food security. In strategic cooperation, Indonesia and Japan have a bilateral dialogue mechanism which has been attended by the ministers of foreign affairs from both countries since 2011. Similarly, in political and military relations, Indonesia and Japan have held the first political-military and the fourth military-military talks since 2011. These talks are aimed at discussing the military, security and defence policies of both countries and the region.<sup>207</sup> These are also forums for discussing bilateral security and defence cooperation in which the Memorandum of Understanding on Indonesia and Japan's Defense cooperation, signed in March 2015, was initiated and discussed.<sup>208</sup>

In security cooperation, bilateral cooperation between Indonesia and Japan has included non-military training and the professional development of civilian officials at the Indonesian Ministry of Defence. Both countries have also conducted cooperation in several training activities, for example, between the Japanese Coast Guard and the Indonesian Maritime Security Coordinating Board (*Bakamla*) and joint police programs.<sup>209</sup> With regard to the SCS, Japan and Indonesia are engaging in maritime cooperation where Japan has agreed to supply Indonesia with patrol boats ("*Japan Eyes*," 2014). The 2015 defence MoU

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<sup>206</sup> Personal communication [interview with a staff member of the Indonesian Ministry of Foreign Affairs], April 11, 2014

<sup>207</sup> Personal communication [interview with a staff member of the Indonesia's Ministry of Defense], May 19, 2014

<sup>208</sup> The 2015 defence MoU was signed by the ministers of defence from both countries on the occasion of President Jokowi's first visit to Japan after being sworn in as president. The visit to Japan, which preceded the visit to China a few days later, was the president's first visit outside of South East Asia.

<sup>209</sup> Personal communication [interview with staff members of the Indonesian Ministry of Defense and Ministry of Foreign Affairs], May 19 and 21, 2014

intensifies cooperation in the exchanges of defence officials, capacity-building, and Japan's logistic support for enhancing Indonesia's maritime security capability.

In economics, bilateral relations take official form in several mechanisms including the Indonesia-Japan Economic Partnership Agreement (IJ-EPA). The IJ-EPA, signed in 2008, aims at promoting economic cooperation between the two countries by boosting bilateral trade, facilitating Japanese investment and conducting industrial capacity-building programmes whereby Indonesian firms benefit from the transfer of production and management techniques (Stott, 2008). However, following evaluation of the agreement, Indonesia proposed a review of the IJ-EPA as it admitted that the benefits of the agreement were less than expected. There are at least two main reasons behind this evaluation. First, while Indonesia agreed to cut tariffs by about 93 percent from the existing 11,163 tariffs with Japanese transfer of technology in return, in reality, Indonesia claimed that the transfer of technology and expertise did not work as expected (Tarmizi and Yulisman, 2013). Secondly, Indonesian goods such as textiles, footwear, processed food, pulp and paper, as well as fishery products, failed to increase their sales in the Japanese market despite the tariff cuts. Sales, however, in automotive items, electronics and chemicals enjoyed mostly by Japanese companies have increased in Indonesia's market. Consequently, although a trade surplus is still enjoyed by Indonesia, following the IJ-EPA, the trend has seen an increase in Japanese exports more than an increase in its imports from Indonesia (Tarmizi and Yulisman, 2015).

Indonesia-Japan economic relations also include several bilateral mechanisms such as the Indonesia-Japan Joint Economic Forum (IJ-JEF), the Indonesia-Japan Energy Policy Dialogue (IJ-EPD), and the Indonesia-Japan Energy Round Table (IJ-ERT). As their names suggest, these dialogues are bilateral forums that discuss Indonesia-Japan cooperation in various fields including investment and energy. Several deals have been concluded in these forums including energy contracts which regulate the supplies of Indonesia's

Liquid Natural Gas (LNG) to Japan, and Japan's development of electricity plants in Indonesia.<sup>210</sup>

Bilateral economic relations have also been obvious in trade and investment. Despite current negative growth in their total trade volume, and a four-year decline in Indonesia's total exports to Japan since 2010, their trade volume significantly increased from US\$ 17.69 million in 1998 to US\$ 33.90 million in 2015, an increase of 91.6 percent (Japan's Ministry of Finance, 2016).<sup>211</sup> More importantly, according to data from Indonesia's Ministry of Trade, Indonesia's annual exports to Japan have led Indonesia to gain a trade surplus with Japan and helped the former to reduce the amount of its total deficit in world trade over the last two decades. Indeed, there has been a trend in Indonesia's trade balance whereby a trade surplus with Japan has helped offset Indonesia's trade deficit with the world which has, in part been caused by Indonesia's trade deficit with China (Indonesian Ministry of Trade, 2016).

Similarly, according to data released by Indonesia's Investment Coordinating Board (2015), Japan has been among the top five biggest investors over the last decade, together with Singapore, the UK, the Netherlands and the US. Japan's investment in Indonesia has so far been ahead of that of China. Japan's 2014 investment, for example, which amounted to US\$ 2.7 billion and was dispersed in 1,374 projects, represented a share of 9.5 percent of the total foreign direct investment in Indonesia which amounted to US\$ 28.5 billion. In the same year, China's investment reached US\$ 800 million with 501 projects.

Most recently, under the Jokowi administration's agenda to improve maritime related infrastructure to support the national goal of becoming a world maritime fulcrum, Japan has been targeted as a potential investor. Unsurprisingly, topics about securing Japan's commitment to invest in Indonesian infrastructure were put at the top of Jokowi's talking points with PM Abe in March, 2015. As a result, Jokowi's visit to Japan secured Japan's further commitment to cooperation on investment and trade. In the meeting, PM Abe stated that his country agreed to launch a high-level bilateral "maritime forum" with Indonesia to expand

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<sup>210</sup> Personal communication [interview with a staff member of the Indonesian Ministry of Foreign Affairs], May 21, 2014

<sup>211</sup> The original data is provided in Japanese Yen. In 2015, Indonesian imports from Japan amounted to JP¥ 1,396,293,135 and export JP¥ 2,390,345,904 (US\$1 is equal to JP¥ 0.009 / as of April 2016).



cooperation in ensuring security at sea and to increase Japan's assistance in building Indonesia's port infrastructure and coast guard capabilities ("RI, Japan to Launch," 2015). Japan's commitment to help build Indonesia's infrastructure is not new. In fact, in 2014, Japan's government assigned the Japan Bank for International Cooperation (one of the state owned banks) to support Japanese investment in Indonesia's infrastructure. This is to support the intention of some Japanese companies to make Indonesia a manufacturing hub in South East Asia.<sup>212</sup> Later, in November 2015, both governments signed a deal that Japan is committed to providing a loan of JP¥140.051 billion (US\$1.14 billion) by 2019 to support several infrastructure and energy projects in Indonesia, including Jakarta's Mass Rapid Transit (MRT) system and an electricity transmission network in Java and Sumatera islands ("*Penandatanganan E/N*," 2015).

#### **8.2.4 Weaknesses in Indonesia's maintenance of a dynamic equilibrium**

A series of Indonesia's policies discussed above has confirmed a degree of conformity with the six guidelines of equilibrium maintenance. Arguably, there are, however, some weaknesses which influence the effectiveness of the policy. These weaknesses are affected by both internal and external factors, and are either intentionally crafted or beyond the reach of Indonesia's control. First, sharing some similarities with the weaknesses of Indonesia's policy towards the US as discussed in Chapter 6, Indonesia's policy towards Japan has also been marked by obvious pragmatism and the absence of a grand strategy. Accordingly, it is not easy to expect a consistent policy in Indonesia's quest for the maintenance of a dynamic equilibrium towards Japan.

Secondly, in trilateral relationships between Indonesia, China and Japan, it is common to experience a zero sum game calculation. This can create some problems which affect the trajectory of the equilibrium maintenance, especially if Indonesia is not willing to practise open communication with and a fair approach to both parties. Similarly, this challenge requires Indonesia to enhance the role of regional institutions especially to bring China and Japan to engage in constructive dialogue.

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<sup>212</sup> Personal communication [interview with a staff member of the Indonesia's Ministry of Foreign Affaris], August 17, 2014

In a recent bidding process for building a rapid railway system (Shinkansen) from Jakarta to Bandung, for example, Indonesia's decision to choose China's consortium has irked Japan ("*Indonesia Lebih Suka*," 2015). Due to Indonesia's decision on this Rp. 60 trillion worth project (around US\$ 4.3 billion), Japan's Transportation Minister expressed his disappointment and a probability that Japan will evaluate all business cooperation with Indonesia. According to Indonesia's government, China's triumph in the bidding was mainly caused by its agreement, in contrast to Japan, of not requiring a guarantee from the Indonesian government which was reluctant to give any official financial warranty on this project. In addition, China's price (which was lower than Japan's) also shaped Indonesia's choice of China's proposal ("*Jepang Tinjau Ulang*", 2015). Seemingly, pragmatism was influential in Indonesia's decision. It is, however, problematic when Japan was suspicious about Indonesia's decision given the lack of Indonesia's effective communication and approach to describe a fair and transparent bidding process. Indeed, on top of the effort to pursue the fifth guideline as discussed previously is the intention to display fair and transparent processes – something that has long been a main challenge in successive Indonesian governments – in order to minimise the probable negative consequence of obvious pragmatism.

Thirdly, due to unstable relations of Japan-China relations, as discussed in Chapter 5, historical legacy and border disputes in the East China Sea are to name a few of their outstanding issues where Indonesia has little leverage and influence over them. So long as the relations of the two powers are not at ease and are highly affected by these historical and sovereignty sentiments, this can create some problems. In addition, in view of the similar nature of territorial sovereignty sentiments in the East China Sea dispute to the South China Sea issue, China's military move and its possible outcome in the ECS dispute have alarmed Indonesian elites who view that China will pursue similar assertiveness and confrontational policy in the SCS at the expense of others. These dynamics signify a complex nature that will potentially cause Indonesia's bias against China in China-Japan's relations, and might challenge the trajectory of equilibrium maintenance.

Furthermore, Japan's military cooperation with countries in South East Asia, likewise with other great powers, is beyond Indonesia's control and

influence. While Japan's repeated claims that its bilateral military cooperation with regional countries, especially the Philippines and Vietnam (as was discussed in Chapter 5), is not aimed at countering China, it is hard not to relate both the Philippines and Vietnam's strategies in this regard with their tensions with China over territorial disputes in the SCS. As members of ASEAN, the Philippines and Vietnam potentially put ASEAN in an awkward position vis-à-vis China. If China views that ASEAN, with Japan's support, has been a means only to extend the interests of certain countries seeking to harm China's interests, it is going to be difficult to envision ASEAN being able to function as an honest broker and a means of maintaining the dynamic regional equilibrium. Indeed, similar to the challenges in dealing with the US and China, Indonesia's interests to maintain the equilibrium maintenance should depend on the attitude of Japan towards the concept. In this respect, it is important that Indonesia and like-minded countries in the region shape the trajectory of regional countries' relations with Japan to maintain impartiality and seek to honestly manage international relations in the region. One of the ways to mitigate other powers' mistrust is to ensure that regional collective moves, which involve the participation of Japan and other great powers, will prevail over any exclusive bilateral military arrangements. In this regard, in line with the guidelines, while Indonesia sought to get Japanese support for its capacity building in patrolling the SCS, for example, Indonesia should not regard it as an exclusive relationship by also approaching China for a similar purpose. Equally important, this motive should also be echoed and promoted in ASEAN's multilateral approaches.

### **8.3 Conclusion**

This chapter has discussed Indonesia's policy towards Japan, especially with regard to the former's intention to maintain a regional equilibrium. To this end, the chapter employed six guidelines including: (i) Indonesia should support Japan's presence; (ii) intensify cooperation with Japan to develop ASEAN and the families; (iii) develop military and defence cooperation; (iv) promote trade and investment cooperation; (v) engaging with Japan in a way that does not interrupt the efforts to maintain relationships and cooperation with China and other regional players and, (vi) support Japan-US alliance. In the end, it is argued here that in engaging with Japan, Indonesia has displayed an array of efforts that

conform to the intention of maintaining a dynamic equilibrium in the region. Yet, while the conformity is evident, some challenges and weaknesses that hinder the effectiveness of the policy for equilibrium maintenance remain.

In line with some guidelines, it is clear that Indonesia has supported Japan's presence in the region by both intensifying bilateral cooperation and strengthening regional institutions. Indonesia has displayed an effort to strike a balanced or even-handed policy in its relations with Japan and China in a way that its engagement with Japan is carefully crafted so as not to interrupt its good relationships and cooperation with China. Equally important, despite varied perceptions among the elites, Indonesia's official position has been clear that the country supports a close Japan-US alliance, which is not to balance against China but to ensure Japan's transformation does not become a destabilising factor in regional security.

In the context of equilibrium maintenance, what is at stake in the Indonesia-Japan relationship are Indonesia's efforts to avoid such good relations from interrupting its relations with China and to practise fair and transparent approaches in dealing with both China and Japan. In addition, the dynamics of China-Japan relationship which are mired by historical burden have also posed a challenge to maintain a regional equilibrium. Furthermore, like Indonesia's policy towards China and the US, the challenges to maintain the dynamic regional equilibrium have also been compounded by the lack of an Indonesian grand strategy and obvious pragmatism. It is also an undeniable fact that the outcome of the policy remains to be subject to the attitude of Japan towards the concept. In the end, as these relationships do not occur in a vacuum, it is important that Indonesia's foreign policy should be creative and innovative in finding ways so that its role as a conductor in the orchestra of Japan-China relations can effectively function. The six guidelines, at a minimum, aim to shape Indonesia's efforts to find ways to play the role of a conductor in the Japan-China relationship.



## **Chapter 9: Indonesia's Quest for the Maintenance of a Dynamic Equilibrium through ASEAN and the Family**

While the previous chapters examined Indonesia's relations with the super and great powers at the bilateral levels, this chapter analyses Indonesia's policy in the region's multilateral forums and examines Indonesia's current policy to ensure that equilibrium maintenance is being pursued by ASEAN and the Family.

It is argued here that despite some setbacks, ASEAN and the Family have the capacity to play a role in supporting Indonesia's idea of equilibrium maintenance in the region. Similarly, despite convergence with the guidelines of equilibrium maintenance, Indonesia's policy towards ASEAN and the Family reflects an ambivalent position domestically, and can be overwhelmed by divergent stances internally within ASEAN. Accordingly, Indonesia's policies engender limited influence in the midst of the members' varied interests in ASEAN and the Family.

### **9.1 The Quest for Maintaining a Dynamic Equilibrium through Indonesia's Participation in ASEAN and the Family**

According to the concept of dynamic equilibrium maintenance as discussed in Chapter 2, Indonesia's interest in the maintenance of equilibrium through its participation in ASEAN and the Family should seek to shape the forums in such a way that they are able to promote the idea of equilibrium which resembles a state of order. Here, order is characterised by a kind of balanced harmony entailing the absence of friction and stable conditions within inter-state relations.

It is argued that Indonesian policies toward ASEAN and the Family have displayed a degree of conformity with the guidelines of equilibrium maintenance. Nevertheless, Indonesia's policies towards the forums display an ambivalent position and continue to encounter internal division within ASEAN. This dynamic helps explain the complex nature of the effectiveness and ineffectiveness of ASEAN and the Family in supporting a regional equilibrium in East Asia.

In this respect, ASEAN and the Family provide some important forums that, first, allow Indonesia and other members to cooperate in an effort to improve their capability and build networks among relatively smaller states vis-à-vis great powers, as well as promote confidence, and secondly, that give Indonesia and

other members an opportunity to practise an omni-enmeshment approach by engaging other great powers through dialogues and cooperation. Indeed, despite some challenges, ASEAN and the Family have played a role, at a minimum, as a medium of confidence building that supports the maintenance of a dynamic equilibrium in the region. ASEAN and the Family complement Indonesia's bilateral approaches in the maintenance of a regional equilibrium. However, as the internal dynamics and the external environment of ASEAN and the Family do not work in a vacuum, and the equilibrium is theoretically not an end but a process, ASEAN and the Family need support and appropriate approaches from its members to help the forums play their constructive roles.

#### **9.1.1 The role of ASEAN and the Family in supporting equilibrium maintenance**

Promoting order requires not only the intention and commitment of all players in the region, but also capable institutions to play roles in managing the interplay of the interests of various powers. In fact, as institutional theory suggests, an institution might provide a setting that is potentially able to shape the behaviour of all powers, including big states, to play a required role for the maintenance of peace and order (Keohane, 1984; Wallander, 1999). In this regard, throughout the last four decades, ASEAN has been expected to play such a role. The 1967 ASEAN Declaration proclaimed that ASEAN seeks to “promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region....” (ASEAN Secretariat, 1967 para. 10).

ASEAN and the Family are, however, not free from criticism. The criticism varies from the inability of the forums to form a common security identity that is required for a dynamic and effective institution (Sharpe, 2003) to institutions with a lack of regional common interests due to diverse national interests as the driving forces of its members (Khoo, 2004b). The critics also argue that ASEAN and the Family are elite only talk-shops with an absence of public involvement (Benny and Abdullah, 2011); a mere rhetorical shell with a form but no substance (Jones and Smith, 2002); and that ASEAN's mechanism for conflict resolution has been abandoned by its own members who are more prone to use international mechanisms (Khoo, 2004a).

In addition, many are cynical about the success of ASEAN community building as there are differences in culture, religion, and economic and political systems among the countries (Desker, 2015; Letchumanan, 2015). It is also true that several internal disagreements in ASEAN have been obstacles to ASEAN harmony and an integrated position. The critics also lament that ASEAN might only serve as a default hub on paper. The Association is tasked only with managing meetings between powers without much effective influence on the output and outcome of the meetings. Under such circumstances, ASEAN cannot do more to maintain regional equilibrium. The critics also point out that ASEAN and its Family are unable, for example, to manage tensions in the SCS dispute, or to prevent China from militarising some parts of the disputed sea.

According to the critics, ASEAN's limited political and economic capabilities not only hinder its leverage to drive the interplay of great power relations, but also prevent it from shaping the trajectory of the security policy of any of the great powers. In this respect, there is a tendency that the critics expect that ASEAN should be a perfect association that is able to manage great power relations in the dynamics of a hierarchical world. Indeed, doubts over ASEAN's weakness stem from various causes. Critics point to the relatively weaker economic and political leverage of ASEAN vis-à-vis the great powers. It is the great powers that determine the role of ASEAN in the region's economic and political dynamics (Egberink and Putten, 2010; Lee, 2010). Other critics refer to the inability of ASEAN and the Family to address sensitive security issues due to the ASEAN Way practices which prefer non-interference and shelving difficult issues (Henderson, 1999). Some scholars lament that the absence of any provision for expulsion and suspension in regional forums for non-compliance will not help ASEAN move forward (Simon, 2010). Others also ridicule the region's idea of promoting regional identity amidst the yawning differences in the political, socio-cultural and economic development of the ASEAN member states (Sharpe, 2003; Khoo, 2004). Equally important, with the issues of Cambodia's position during its ASEAN chairmanship in 2012 when it displayed its "loyalty" to China, and the Philippines' then close relations with the US and harsh criticism of China over their dispute in the SCS, it is not difficult to envision ASEAN cohesion is at risk. The list of ASEAN's challenges and weaknesses can go further with a conclusion



that ASEAN will be incapable of managing great powers' interactions in the region.

In view of the criticisms above, first, it is arguably mistaken to regard ASEAN as a body that sets out to be able to solve regional problems on its own. Similarly, it is also erroneous to consider that ASEAN should be able to manage the outcome of great power relations. In fact, it works with the cooperation and support of the great powers to coordinate and moderate – not to manage – the interplay of great power relations, especially those that have an impact on East Asia. As ASEAN's capacity will not allow it to totally control the outcome of great power relations, and many external factors are beyond ASEAN's influence, the most it can do is to moderate the interactions in order to minimise any possible tensions between great powers.

Secondly, in the context of great power interactions in the region, ASEAN and the Family can enhance the collective capability of smaller powers to moderate great power relations in the region. The collaborative engagements potentially augment the regional capabilities to moderate great power relations, and minimise the outbreak and escalation of conflict. It is right that the degree of the effectiveness of ASEAN's efforts depends much on the great powers' willingness to refrain from particular behaviours and control their own international conduct. In the absence of significant consensus among the great powers to devise any regional institutions better to accommodate their interactions in a regional multilateral approach, though, ASEAN is the best option that the great powers have. On a broader regional level, ASEAN and the Family have provided indispensable settings to help increase the capability of smaller and medium regional states. Here, the increase in capability refers to various dimensions which transcend the Realist concept of hard power. It not only describes the possessing and improvement of regional states' economic and military elements, but also refers to the capabilities to moderate the behaviour of regional great powers through socialisation. In this regard, the economic and political interactions between ASEAN and the great powers will help convince the latter to pursue restrained and controlled behaviour in order to look good. This is much more intense when the great powers must face the region in its collaborative efforts and not in individual stances.

Thirdly, the establishment of such regional forums as the ARF, APT, ASEAN Plus One (either the US, Japan or China), the East Asia Summit and ADMM-Plus was aimed at accommodating and moderating the growing presence and competing interests of external powers in the region. The forums institutionalise the political and economic interactions of great and superpowers in the region. Indeed, the role of the dialogues offered by ASEAN and the Family are gaining more relevance and importance than ever because the multilateral approaches in ASEAN and the Family will be a part of the processes for negotiating and finding solutions to the increasing great power friction and potential military conflicts which are likely to be triggered by third-party disputes, such as in the SCS and the ECS between China and the US / Japan.

Fourthly, throughout its efforts to accommodate the great powers' presence in the region, ASEAN has strived to prevent the great powers from dominating the regional forums' agenda (Collins, 2002). In this case, ASEAN continues, as an autonomous body, to avoid any potential dominance and hegemony by the great powers which could destabilise the region's greater interests. Despite this aspiration to be free of external influences being difficult, regional forums may enhance the bargaining power of small and weak states in their dealings with the great powers. As Lee Kuan Yew of Singapore argued, it is true that "regionalism might not enable the ASEAN states to prevent the great powers from interfering in the affairs of the region", but it could "help their interests taken [sic] into consideration when the great powers make their compromises" (quoted in Acharya, 2001 p. 52).

More importantly, ASEAN and the Family have played a role in enabling a positive construction of regional architecture in economics, politics and security where states can cooperate or conduct dialogue to promote shared interests. This role contributes to the promotion of cooperation for a dynamic regional equilibrium. Cooperation does not necessarily imply harmony, and the forums have had various setbacks as the critics have lamented. However, the mere presence of such forums displays the fact that regional challenges and threats have been approached and addressed in the positive spirit of dialogue that potentially contributes to the development of equilibrium maintenance. Equally important, in the hypothetical absence of ASEAN and the Family, it is not easy – if not impossible – to bring forward a new alternative forum likely to be accepted by

regional great powers and the superpower (Seng, 2015). As Koh (2009) has put it, “ASEAN is acceptable to all the stakeholders as the region’s convener and facilitator because it is pragmatic and welcoming” (para. 16).<sup>213</sup> In this respect, ASEAN centrality, which is regionally accepted, will help great powers to interact or engage in a regional balanced network.

However, this chapter acknowledges the extent of the ineffectiveness of the forums of ASEAN and the Family amidst a degree of their roles in supporting the idea of regional equilibrium maintenance. The ineffectiveness, to some part, arises from challenges on domestic and regional dynamics. This thesis thus devises some guidelines, both at the domestic and regional fronts, to resolve challenges and to increase the likelihood of the effectiveness of the forums in supporting Indonesia’s quest for the maintenance of a regional equilibrium. In the end, Indonesia’s policies towards the forums are evaluated in relation to these guidelines.

### **9.1.2 Policy guidelines on the domestic level**

An agenda to shape ASEAN and the Family in accordance with the equilibrium maintenance concept faces some challenges and weaknesses on the Indonesian domestic front. The greatest challenge comes from the inconclusive national stance towards ASEAN. The second main challenge is the lack of an authoritative national institution that is capable of managing and coordinating Indonesia’s policy towards ASEAN and the Family.

By an inconclusive stance, it is not to say that Jakarta has entirely turned its back on ASEAN. In fact, Indonesia’s official position towards ASEAN remains the same: it considers it as the core of the country’s foreign policy. The Strategic Plan of the Indonesian Ministry of Foreign Affairs 2015-2019 states that ASEAN is a main concentric circle in Indonesia’s foreign policy (Indonesian Ministry of Foreign Affairs, 2015c p.5). Similarly, the same position on ASEAN

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<sup>213</sup> A similar argument is also raised by some scholars. Yeo (2006) argues that ASEAN is an important part of the game between great powers. Because of ASEAN’s good relations with China, for example, it is in the US and Japan’s interests to maintain good relations with the grouping and in fact strengthen ASEAN as an organisation. Egberink and Putten (2010) argue that ASEAN is also the motor behind the regional integration process in which great powers, especially, Japan and China, wish to be actively involved. For Japan, now that its economic leadership is being challenged by China, staying on good terms with ASEAN is more important than ever. Despite its setbacks, ASEAN has a degree of leverage over great powers relationship because it has several pull-factors working to its advantage.

was re-emphasised in a statement by the Indonesian Minister for Foreign Affairs, Retno Marsudi, at a hearing in Parliament in February 2015 (*Paparan Menteri*, 2015). However, Jakarta's current positions in the midst of growing criticism, public pessimism and negative perceptions towards ASEAN, display evolving views towards the regional forum. It is apparent that the elites and the grassroots' views on the region's integration differs and is sometimes inconsistent. Public opinion certainly matters in influencing the elites' stances, and in the end it could affect the regional integration effort in subtle ways as negative perceptions can lead to a general lack of support for integration (Kher, 2012).

Some of the reasons for the inconclusive and inconsistent stance merit attention. First, as discussed in the previous chapters, nationalist sentiment and pragmatism have emerged as two causes that contribute to the weaknesses in Indonesia's maintenance of equilibrium policy in its bilateral relations with the US, China and Japan. Similarly, in the regional forums, nationalist sentiment and pragmatism potentially cause Indonesia to become detached from the region and contribute to the government's difficult balancing act between domestic sentiments and regional harmony.

The survey made by Benny, et. al. (2015a) confirms that the extent of nationalist sentiments in Indonesia is high and negatively influences the extent of Indonesia's commitment to regional integration. Several points raised in the survey display how nationalist sentiment will be a major concern for improving regional cohesion and integration. The survey includes the following results: Indonesian people regard their country as one of the best in the world (around 70%), protest if foreign countries undermine the pride of their nation (93% of Indonesians), and are really angry if there is/are foreign country(ies) claiming Indonesian territory (95%).

Nationalist sentiment is not unique to the Indonesian case. In fact, this sentiment, which is mixed with a strong sense of national sovereignty, is widely shared in the region. Some territorial disputes in the region, including military clashes between Thailand and Cambodia over the area surrounding the Preah Vihear temple, the dispute over Pedra Branca between Malaysia and Singapore, as well as the SCS disputes among ASEAN claimants and China, are obviously influenced by the countries' nationalist sentiments which reinforce the sense of territorial sovereignty.

Secondly, the intention of promoting regional integration has also been affected by different perceptions both within the Indonesian elites and between the elites and the grassroots about ASEAN and the Family. In such a case, it is hard to expect that the Indonesian government will gain sufficient support for its commitment towards ASEAN. Some of the following causes contribute to this concern. First, sceptical views of ASEAN are influenced by the lack of confidence in the ability of the forum to promote Indonesian interests. Indeed, scepticism about ASEAN is also raised by some Indonesian scholars, like Pambudi and Chandra (2006) and Hadi (2012), as well as by some political parties, especially the United Development Party (a party that claims to be the representative of Muslim society) and the *Gerindra Party* (a nationalist party led by Prabowo Subiyanto, who contested the presidential election with Jokowi in 2014 election (*"Partai Gerindra Tolak,"* 2015). The sceptical views refer to the current trend of trade deficits, an industrial downturn, and rising unemployment following the implementation of the ACFTA. This position has accordingly confounded the Indonesian government's efforts to ensure the importance of active participation in regional organisations. Furthermore, confidence in Indonesia's vastness in terms of its population, territory and natural resources, has also contributed to the emergence of thinking amongst the Indonesian grassroots that joining the groups, especially ASEAN, has only led Indonesia to give up its economic leverage by submerging the country's potential to a group consisting of relatively smaller countries.

Similar scepticism is apparent in several groups. One group, represented by a position argued by Syofian Wanandi, Indonesia's CSIS chairman, questions ASEAN's ability to face the new challenges of China's rise given ASEAN's limited capability (Wanandi, 2008). Pointing to ASEAN's tendency to stay within the boundary of its lowest common denominator as defined by Myanmar and Laos, Wanandi doubts that ASEAN will have much to offer in managing the rivalries of great powers. Besides the disparities in the economic and political backgrounds of its members, he argues that the varied strategic preferences of ASEAN member states will limit the Association's capability to act as a guardian of regional equilibrium. Others, consisting of some members of parliament, as well as non-governmental organisations, argue that Indonesia's stance in ASEAN is not going to gain domestic support. More specifically, Salamuddin Daeng, an activist of the

Institute for Global Justice, argues that because ASEAN is an elitist grouping without grassroots support, the ASEAN project, mainly free trade cooperation, could endanger the Indonesian economy (*"Pertaruhan Ekonomi,"* 2015).

Last, but not least, challenges that come from the domestic level can stem from insufficient number of foreign policy agent. These challenges are part of the impediments to managing a comprehensive and highly coordinated policy in relation to Indonesia's position in ASEAN. The Directorate General of ASEAN Cooperation within the Indonesian Ministry of Foreign Affairs, along with the Indonesian Mission in Jakarta for the ASEAN Secretariat, and the Indonesian National Secretariat of ASEAN under the President, the three institutions that handle Indonesia's policy towards ASEAN nationally, are considered insufficient. As the interest in ASEAN and the Family increasingly evolves, the capability of the institutions which handle such affairs needs to be upgraded. There is a need to upgrade the ASEAN National Secretariat, especially in terms of supporting resources, so as to be able to effectively coordinate and manage inter-ministerial and cross-sectoral communication. This idea should also be transferred to, and encouraged in, other ASEAN countries. Loosely coordinated frameworks at the national level to supervise ASEAN cooperation in each of ASEAN countries have become a problem which is not unique to Indonesia. Emmers (2003) and Tow (1990) have identified such loose coordination at the national level of ASEAN countries where the ministries of foreign affairs tasked to supervise ASEAN affairs lack the authority to manage policies which have a nationwide impact and require cross-sectoral coordination.

Accordingly, to pursue the agenda of equilibrium and to address the challenges and criticism, arguably, the Indonesian government needs to adjust the way it sees and handles the multifaceted nature of the challenges. This adjustment is indispensable to addressing the inconclusive national stance in Indonesia stemming from growing domestic nationalist sentiment, pragmatism and different perceptions between the elites and the grassroots about ASEAN and the Family. In addition, there is a recognition of the need for a different way of thinking among the elites from only a passing interest in setting up and attending the routine regional gatherings, to a wholehearted commitment towards accomplishing a task which really serves the interests of the people and to a sustainable policy beneficial not only for Indonesia, but also for the broader

interests of the regional community. This adjustment is also an acknowledgment of the need for a change in the way the government handles the challenge. The required adjustments in the way Indonesian elites think and handle the challenges at the domestic level are threefold:

*(1) A commitment to put trust in, and remain positive about, ASEAN and the Family's potentials*

By putting trust in, and remaining positive about ASEAN, this thesis holds the view that the setbacks in some parts and roles of ASEAN and the Family should not eclipse the positive contribution of the forums. Domestically, putting trust in ASEAN and the Family is an acknowledgement that these forums offer Indonesia some venue for collaborative efforts to improve the country's survival and minimise its vulnerability to the dynamics of great power relations. Thus, while the critics discussed previously are right on some points, it is erroneous to conclude that ASEAN and the Family are currently irrelevant and that Indonesia should abandon them. Indonesia's vastness in population, geography and economic indicators are not sufficient to promote its own interests in today's interdependent world. Such problems, which are cross-border in nature, as haze, climate change, illegal trafficking, and natural calamities, can no longer be effectively solved by individual states.

It is also apparent that ASEAN is doing its best to deal with difficult or outstanding issues among the ASEAN members themselves. The complexities of the region, which are ripe with unsettled border disputes, geopolitical and economic differences and cultural diversities, pose challenges that require subtle and careful responses collectively. Some existing norms and principles of ASEAN, especially the restriction of using force, consultation mechanisms, and confidence-building measures are the best alternatives to prevent a single issue from causing regional disintegration. In the midst of the complexity of the region, ASEAN and the Family are evolving and increasingly displaying incremental gains.

Especially for Indonesia, ASEAN has historically lent support to Indonesia's search for political, security and economic interests following its domestic political turbulence in the early 1960s under the Soekarno presidency. During this period, Indonesia was required to promote good relationships and regional order amid the deficit of neighbours' trust, especially after the

Confrontation policy against Malaysia in the 1960s that ruined Indonesia's international image. Indonesia was tempted to have an association – such as ASEAN – for regional cooperation to display its good intention to restore regional order and pursue development together. Anwar (1994) concludes that ASEAN served several functions for Indonesia, namely: (i) as a contributor to Indonesia's good name; (ii) as a contributor to regional harmony; (iii) as a vehicle for more autonomous regional order; and (iv) as Indonesia's international bargaining tool. Similarly, ASEAN's current efforts to develop a single market and closer political and socio-cultural cooperation enhance the role of ASEAN as a venue of collective efforts to maintain peace and to prosper together.

For some critics, the APT and the EAS, along with other regional economic forums initiated by ASEAN, reflect either an overlapping set of intertwined regions and sub-regions (Yamamoto, 2013), or venues that allow strong economies to overpower the weak (Pambudi and Chandra, 2006). However, the establishment of the APT and EAS emphasises ASEAN's response to a regional thirst for economic cooperation amidst economic crisis and an agenda of regional cohesion. In this respect, intra-regional investment and trade cooperation have been the backbone of the economic cooperation that promotes regional welfare. Throughout the last three decades, regional economic cooperation has promoted the rise of national development in East Asia. Since the establishment of the APT in 1999, there has been an increase in some of the region's economic integration indicators. The foreign direct investment (FDI) inflows within the ASEAN Plus Three region have increased from US\$ 2.89 billion in 1990 to US\$ 220.1 billion in 2005. The share of intra-regional trade is also relatively high with 45.46% in 2014; an increase from 37.50% in 1990 (Asia Regional Integration Centre, 2015). Similarly, in regard to Indonesia's economic integration with the region, the share of Indonesia's trade with the APT countries is relatively high accounting for 58.13% in 2014 (Asia Regional Integration Centre, 2015). Equally important, the forums are essential places for dialogues and negotiation to reach shared consensus among ASEAN members in the light of their competitive economies.

If some negative consequences arise out of the regional economic cooperation, the issue has been largely caused by Indonesia's lower competitive advantages and less preparation. Indeed, some government economic policies to



accelerate the competitiveness of Indonesia's small and micro enterprises in their quality assurance, capital and marketing network, are long overdue.

In addition, despite some pessimistic views about the role of ASEAN and the Family in managing security dynamics in the region, Indonesia domestically should be able to maintain its trust in the forums for the same reasons that were previously discussed about the role of ASEAN and the Family.

*(2) Persistent government programs through public outreaches*

As mentioned previously, the evolving views of the Indonesian government that challenge its commitment to meet the agenda of regional equilibrium have partly stemmed from the growing negative view of domestic audiences towards the forums. A measure to address the issue would be the promotion of greater interaction between Indonesian society and others in ASEAN to build solidarity. Bottom-up relationship, where relations develop first from the grassroots then spread to the top government level, will be more reliable and long-lasting. Thus, solidarity at the grassroots needs to be nurtured in order to promote an integrated and united approach at the governmental level. Indeed, it is easier to manage relations in ASEAN and the Family if the member states' societies have intimate knowledge of each other's culture, values and norms through frequent and positive interactions.

The commitment to putting trust in ASEAN should be accompanied by real actions to mitigate the obstacles, minimise the adversarial impacts of a divided position and improve ASEAN performance. Indeed, ASEAN solidarity and integration is not an end in itself, rather it is a means and a protracted process that needs to be nurtured: in the long run, this process will hopefully promote the creation of community or an enhanced regional integration.

Efforts to build this solidarity include two aspects; the channels and the contents being channelled. Building solidarity can be channelled through various programs which should not only be supported by government, but also by non-governmental organisations. These programs should include a series of socialisation efforts through exchanges of people and dignitaries, joint education and training programs, youth and student exchange programs, the creation of a common syllabus and curriculum for ASEAN studies in all the ASEAN countries from an early age, and the establishment of a media campaign to promote the programs. In addition, close relationships between officials are also needed. This

includes the creation of hotlines between top leaders in ASEAN which should be followed by close interactions between officials at all levels. In this regard, diplomacy through warm and close personal relations and frequent communication and intense exposure or involvement with each other, and not relying too much on strict and rigid bureaucratic approaches between governments, are long overdue.

In addition, to raise solidarity and unity, more attractive content is needed. It should be attractive in a sense that ASEAN seeks to offer joint prosperity and security. The substance should develop a “we-feeling” that living together in ASEAN furthers each society’s needs because the forum offers a way to accommodate collective growth, reach joint peace, and protect the societies from threats. In other words, Indonesia should transfer a message to its domestic audiences that participating in the ASEAN community will promote Indonesian prosperity, and a failure to do so will increase costs. Last but not least, to balance the growth of nationalism, the substance being taught should give rise to the promotion of privileges and responsibilities, personal self-respect and civic duty, rightful opportunity for all individuals and solidarity for the common good. These are appropriate balances that each national audience needs to undertake in order to develop harmonious interactions free from ultra-nationalist sentiments between ASEAN societies.

### *(3) The improvement of Indonesia’s ASEAN National Secretariat*

The challenges of rampant bureaucracies have been common problems in Indonesia. Thus, with regard to Indonesia’s efforts to have a sustained policy which is able to transcend nationally in the midst of the bureaucratic challenges, the next measure recognises a need to upgrade the mandate and improve the capability of Indonesia’s ASEAN National Secretariat. This is an institution which is directly under the President and manages Indonesia’s policy on ASEAN nationally. This national body is expected to have more authority, and improved resources and networks to manage and coordinate the policy nationally.

### **9.1.3 Policy guidelines at the regional level through ASEAN and the Family**

The agenda to shape the forums of ASEAN and the Family in accordance with the concept of equilibrium maintenance also encounters some challenges and

weaknesses stemming from the forums themselves. A main challenge is related to the capability of ASEAN and the Family as vehicles to pursue a dynamic equilibrium in the midst of growing rivalries between the US, Japan and China.

Much of the literature has lamented that the ongoing great power competition, especially between the US/Japan and China, seeks to steer ASEAN in a bid to suit their respective interests in the region. As a result, the growing rivalries have led to distinctive approaches toward pressuring ASEAN states to take sides (Seng, 2015). This vibrant competition has been evident since the early process of the creation of regional forums, particularly the ARF and the EAS. As a case in point, scholars have observed that despite its initial indifference toward the ARF, the US agenda in the ARF is not only to promote greater dialogue between its regional allies, Japan and South Korea, but also to constrain China's influence. On the other side, having been suspicious of multilateral forums for their potential interference in its autonomous policies, China joined the ARF with the intent to prevent its interest and influence being relegated (He, 2015; Acharya, 2010). Given the different interests of the great powers, their preferences and approaches towards regional forums are also different. The US and Japan's preferences for fast action, for example, run counter to China's penchant for slow and incremental development of regional forums. China prefers confidence-building measures and consensus in solving regional problems, while Japan and the US prefer preventive diplomacy (De Castro, 2012).

It has to be acknowledged that ASEAN needs to be strengthened to pursue the agenda of equilibrium as inspired by the concept. The strengthening of ASEAN here aims at preventing ASEAN from further disintegration, promoting beneficial cooperation, and enhancing mutual trust and shared concerns, so as to enhance its chance of moderating the interplay of great power dynamics in the region. Indeed, while some weaknesses and challenges are yet to diminish due to the complexities that ASEAN encounters, at a minimum, it is expected that strengthening ASEAN will enable its centrality to function as venues of collaborative powers having more of a bargaining position to persuade great powers, including within the ASEAN Family, to pursue good conduct in their interactions.

To reach these ends, Indonesia's maintenance of dynamic equilibrium towards ASEAN and the Family needs to pursue the following policy guidelines:

### *(1) Promoting ASEAN cohesion*

Promoting ASEAN cohesion is not a choice but a prerequisite and is even more important so as to enhance ASEAN's role in the midst of growing great power rivalry in the region. ASEAN cohesion is a solution to address various factors that exacerbate ASEAN's weaknesses and, in turn, will potentially increase the possibility of ASEAN promoting equilibrium. In this respect, there are some aspects beneficial to enhancing ASEAN's cohesion including economic integration, political and security cooperation, and socio-cultural harmonisation. In other words, it is recommended that Indonesia's policy towards ASEAN should consistently support the process of the ASEAN Community: the ASEAN Economic Community (AEC), the ASEAN Political and Security Community (APSC), and the ASEAN Socio-Cultural Community (ASC). The strengthening of cooperation in these three pillars of the ASEAN Community potentially generates greater interdependence. Currently, despite its various setbacks, the establishment of the three pillars is progressing, but requires more than just the will of the governments of all ASEAN countries.

First, there is a lot of work to be done to develop APSC. The agenda for political and security integration is seemingly tough as disparities among member states are wide. It is not an easy process to accommodate different types of political systems such as democratic countries like Indonesia and Philippines, with a fragile new democratic country like Myanmar, which held a general election in 2015 and Thailand which has been shadowed by the return of a military ruled-political system, or with newly opening countries like Cambodia and Vietnam. It is also problematic to persuade countries with different international preferences such as the Philippines (a US ally) and Singapore (a US partner) with Cambodia (China's partner), to launch a similar stance on a particular policy. In addition, with the widening gap over ASEAN members' preferences, especially stemming from the territorial disputes in the SCS, the challenges to ASEAN political and security cohesion remain obvious.

However, while the dynamics above, admittedly, show a tough road for a united stance, shared interests in regional peace and stability amidst a deficit in strategic trust among regional countries have grown significantly. The interests in mitigating tensions and preventing disputes are increasingly obvious. With these shared interests, Indonesia can thus exploit several common factors to strengthen

the political and security pillar in ASEAN. In addition, as Yamamoto (2013) implies, elites' shared norms regarding the need for cooperation and peaceful conflict resolution can also add a positive input to promote regional political cooperation. Equally important, the growing challenges of non-traditional security issues, ranging from illegal trafficking, migration, money laundering, climate change, terrorism, and maritime security to food security, can also potentially create more enthusiasm to build the APSC.

In political and strategic issues, ASEAN and the Family have contributed to the development of dialogue and cooperation to foster peace and promote confidence. While the critics label them as mere talk shops, the strength of these forums lie in their capacity to host regular dialogues. This capacity has allowed the forums to assist in defusing conflicts before they escalate, to offer a setting for better understanding between the parties and to reduce the prospect of conflict escalation. Indeed, some of the regional institutions, especially the ARF and the ADMM-Plus, are working to facilitate this aim. All of the ASEAN Family enhances ASEAN's chances of moderating the great powers' interactions in the region.

The recent escalations in tensions over some of hotly disputed claims in the SCS and other parts of the region do not necessarily mean ASEAN and the Family have failed. The absence of military clashes, despite tensions in the area, highlights the fact that an existing mechanism of communication is in place. That the disputes remain controllable has been the consequence of various regional multilateral and bilateral efforts. In other words, while ASEAN and the Family cannot stop or avoid escalation from happening, at some point their efforts, including the dialogue for confidence-building measures, promoting economic and social interactions, as well as operational cooperation to dismantle common security threats, are indispensable to minimising escalation into military conflicts.

In addition, given the US intention to play a role in the SCS dispute through multilateral approaches in the ARF, ASEAN can accommodate and moderate US-China interactions in the forum. In most security issues, US-China interactions are strongly based on bilateral frameworks taking place outside a multilateral context (Egberink and Putten, 2010). So, when the US encourages the "collaborative diplomatic process" (US Department of State, 2010 para. 10) to settle the SCS dispute, ASEAN's role in regional multilateral mechanisms,

especially the ARF, increases its relevance.<sup>214</sup> It is also irrefutable that ASEAN has the potential to legitimise and de-legitimise great power security policy as it has been a reason for the great powers' generally good behaviour in the region.

Secondly, Indonesia should promote South East Asian economic integration not only to stay competitive in the globalised world, but also to promote the region's interdependence and cohesion. To accomplish ASEAN economic integration, more effort is required especially due to the competitive nature among the states. Indonesia's main exports such as textiles, for example, which have to compete with similar products from Vietnam and Malaysia in the international market, will complicate the agenda of integration. Similarly, a difficult road still lies ahead as ASEAN needs to anticipate how the mixed economies of its members can accommodate their greater integration. In this regard, the puzzle of integrating Indochina, the barely functioning economy of Myanmar, and the lingering mercantilist sentiments in Indonesia, Malaysia, and the Philippines, is not easy to solve (Smith, 2004).

Nevertheless, economic integration, which is at the least of the AEC's objective, will provide the opportunity to push the needed reforms in each ASEAN state that otherwise would have been more difficult for individual economies to implement unilaterally. In this regard, such needed reforms as lowering transaction costs, the progressive elimination of rules of origin requirements, good infrastructure and reduced barriers to trade and investment, potentially not only enhance the region's competitiveness, but could also further move for regional intimacy and interdependence. Some scholars also agree that such interdependence, especially stemming from similar business practices, is able to shape states' behaviour to practice restraint in the use of force in their relations (Russett, 1998; Estanislao, 2001; Pouliot, 2010; Austria, 2012). Thus, bearing this in mind, the agenda of promoting regional economic integration, especially through the establishment of regional economic cooperation or forums, is not only significant for economic purposes, but, equally important, is essential for the greater cohesion of ASEAN.

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<sup>214</sup> The message was delivered by the then US Secretary of State, Hillary Clinton, at the ARF annual meeting in July 2010 in Hanoi Vietnam.

*(2) Promoting omni-enmeshment and rule of law and norms, as well as abandoning the “ASEAN Way” principle of non-interference through face saving mechanisms*

To moderate the region’s interactions, it requires first the support of all relevant powers that have interests in East Asia. Furthermore, a network of dialogues between great powers is indispensable to promote trust, and build communication and cooperation. The omni-enmeshment principle serves this interest. A balanced approach between great powers is required in the pursuit of this omni-enmeshment to maintain harmony and avoid ASEAN from taking sides in the great power rivalries. Indeed, it should be Indonesia’s main agenda in ASEAN to advance the Association’s external linkages through the socialisation of all big powers and to hedge and create a balanced position between them. In addition, ASEAN’s socialisation of the great powers should continue as an effort to influence the trajectory of their interactions.

This omni-enmeshment principle requires the enhancement of the ASEAN Family which all of the relevant great powers need to join in. In addition, to reach a more effective output, socialisation in the forums needs to maintain ASEAN’s centrality where ASEAN, despite its various handicaps, should be in the driver’s seat of the regional forums. As regional security complex theory has suggested, international players have the potential to influence and be influenced by others in their interactions. The basic tenet of this principle is that the process of bilateral and multilateral interactions and socialisations influences and renders the possibility of China, Japan and the US changing their interests and preferences towards the region.

In addition, distinctive bilateral approaches by ASEAN members to promote good relations with all great powers should also be a part of, and complementary to, the multilateral approaches in ASEAN and the Family forums. Like the bilateral approaches that Indonesia has pursued, an omni-enmeshment approach by each ASEAN country bilaterally with either the US, China or Japan should observe the principle of maintaining good relations with all sides.

Secondly, interactions within ASEAN and the Family, which are marred by its members’ dissimilarity in terms of physical size, ethnic composition, socio-cultural heritage and identity, colonial experience and post-colonial polities, can only be decisive if the interactions are rule based. Yet, while ASEAN has crafted

the rule of law and norms such as the Treaty of Amity and Cooperation (TAC) and the ASEAN Charter, the problem lies in finding an appropriate mechanism to ensure members' compliance and to persuade ASEAN member states to seek dispute settlements through the mechanisms provided by ASEAN's legal frameworks.

ASEAN has crafted the TAC, the accession to which has become the prerequisite to join the ASEAN Family.<sup>215</sup> The TAC is designed to promote peace and stability throughout the region and to offer a procedure for peacefully settling regional disputes. Indeed, it corresponds to the idea of the maintenance of regional equilibrium. Article 2 of the TAC, for example, provides a number of fundamental principles which guide relations between Contracting Parties including (i) mutual respect for sovereignty, independence, equality, territorial integrity of all nations; (ii) the right of every State to lead its national existence free from external interference, subversion or coercion; (iii) non-interference in the internal affairs of one another; (iv) settlement of disputes by peaceful means; (v) renunciation of the threat or use of force. Furthermore, the TAC (Article 10) also requires that Contracting Parties shall not participate in any activity which constitutes a threat to the political or economic stability, sovereignty, or territorial integrity of another Contracting Party. Equally important, the TAC (Article 13) requires Contracting Parties to settle disputes through negotiation and without the threat or use of force (ASEAN Secretariat, 1976).

In the process, ASEAN has also concluded a Charter which has been ratified by all members. The ASEAN Charter strengthens the Association's legal foundation in achieving the ASEAN Community by providing a legal status and institutional framework for ASEAN. The Charter reinforces the TAC's principle of the resolution of disputes between ASEAN members in a peaceful and timely manner through dialogue, consultation and negotiation. The ASEAN Charter adds that the Chairman of ASEAN, or the Secretary-General, may be called upon to offer their good offices for conciliation or mediation. The Charter further

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<sup>215</sup> The TAC signed in 1976 provided (under Chapter IV, Articles 13 to 17) for ministerial level representatives from each member state to sit in a High Council. This Council, as a continuing body, was supposed to "take cognizance of the existence of disputes and situations likely to disturb regional peace and harmony" and "in the event no solution is reached through direct negotiations," to "recommend to the parties in dispute appropriate means of settlement such as good offices, mediation, inquiry or conciliation" (ASEAN Secretariat, 1976).



mandates dispute settlement mechanisms for all fields of ASEAN cooperation (ASEAN Secretariat, 2007).

Nevertheless, while the TAC and ASEAN Charter are the “holy books” of law and norms for ASEAN and the Family, as of 2016, members in dispute have not resorted to the dispute mechanisms provided by the Charter and the TAC. Lee Kuan Yew of Singapore, as quoted in Davidson (2004), admitted that it is due to ASEAN’s penchant to prefer the ASEAN Way of consultation and consensus, not rules and regulations.<sup>216</sup> This tendency might remain in the future until there is a revision of the Charter that can ensure, among others, a more private mechanism. By playing an exemplary role in its interactions, Indonesia will potentially encourage ASEAN countries to promote the Association’s self-constructed rules and norms.

Moreover, due to the fact that ASEAN is still far from the process of developing a security community, Indonesia should promote a security regime for security cooperation in ASEAN. This is potentially able to promote states’ interactions that are influenced by agreed rule and norms.<sup>217</sup> This is also the reason why Indonesia should continue its support of finalising the Code of Conduct (CoC) of parties in the SCS dispute. As Ba (2014) argues, more than just highlighting the commitment towards pursuing a cooperative process for peaceful resolution of the SCS dispute, the essence of the CoC is to show that the region is characterised by norms and is rules-based. While disputes and conflict are not unthinkable among ASEAN members, a set of rules and norms will shape the behaviour of states and guarantee collective measures to manage any potential future conflicts and disputes.

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<sup>216</sup> Others, like Koesnaldi, et. al. (2014), also argue that this could stem from various reasons including ASEAN’s reluctance as the process could be too public involving the convening of a High Council at which non-ASEAN High Contracting Parties may be represented as observers, and the basic nature of ASEAN culture that considered direct opposition in a public debate as taboo.

<sup>217</sup> In this respect, Institutionalist scholars characterise ASEAN as security regime that is based on a set of principles, norms, rules and decision-making procedures (See Keohane, 1984 and 1993; Oye, 1985; Young, 1986; and Acharya, 2001). Security regimes and security community are defined as inter-state security arrangements that both observe the existence of a set of rules, norms, and procedures to manage inter-states interactions. However, they differ in the level of their interests’ convergence. While a security regime is only aimed at developing cooperation and does not see a high convergence of states’ interests for the long term, a security community sees a “complete and long-term convergence of interests between members in the avoidance of war” (Emmers, 2003 2).

Thirdly, the ASEAN Way, well known for its preference for consensus-building mechanisms over voting; for non-binding rules and regulations over a rigid and strict law; and for respect for internal autonomy and non-interference (Busse, 1999; Caballero-Anthony, 2004), has served as a norm for ASEAN. Throughout the history of ASEAN, the ASEAN Way has demonstrated its relevance in avoiding an escalation in disputes and in attracting the trust of big powers to embrace the Association.

However, while some principles of the ASEAN Way are still valuable – such as consensus and consultation in decision making – the non-interference principle needs to be reconsidered especially currently as it might have lost relevance in the midst of a growing desire to promote regional integration and to solve multifaceted regional challenges.<sup>218</sup> In this regard, Indonesia needs to consider moving beyond the principle of non-interference. It is simply contradictory to expect that ASEAN can manage the region's affairs, while at the same time it has no authority to interfere in the internal concerns of its members. Over the last few decades, the non-interference principle has been impractical in dealing with such events as transboundary haze, military-junta oppression and human rights violations in Myanmar, and border disputes that have interrupted regional peace and stability, for example, between Thailand and Cambodia. In this respect, any domestic political and security challenges that have international or transboundary spill-over impacts make the non-interference principle irrelevant.

Nonetheless, the abandonment of the non-interference principle should not be confused with any measure to undermine the internal sovereignty of other members. In the midst of rising nationalist sentiment in the region, a careless comment on another's internal concern combined with arrogant delivery might only trigger adversarial responses. It seems rather complicated, of course, to abandon the non-interference principle without upsetting relations with a targeted country, as this principle has been inherently rooted in ASEAN since its formation. A moderate way through friendly persuasion which is conducted behind the scenes for a face saving purpose thus remains to be an ideal approach.

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<sup>218</sup> Likewise, others like Caballero-Anthony (2004) and Acharya (2001) argue that after decades of progress, ASEAN now seriously needs to reinvent itself, especially to question the effectiveness of some norms of the ASEAN Way.

## **9.2 How Indonesia's Policy for the Maintenance of a Dynamic Equilibrium is Being Pursued**

Arguably, Indonesia's efforts have demonstrated a degree of conformity both directly and indirectly to the guidelines that ensure ASEAN is able to promote regional order and stability. As will be explained further, Indonesia has displayed efforts to promote ASEAN's cohesion, displayed trust and confidence in ASEAN at the official level, and taken balanced positions between nationalist sentiment and promoting good external relations. In addition, through the ASEAN Family, Indonesia seeks to pursue omni-enmeshment. At the heart of this effort, Indonesia seeks to promote ASEAN centrality and to make ASEAN an organisation of the rule of law and norms. However, this conformity confronts some challenges and weaknesses that, in turn, affect the extent of ASEAN's influence on the dynamics of great power interaction.

The conformity of these policies with the guidelines and the existence of some challenges or weaknesses, are discussed below.

### **9.2.1 Indonesia in ASEAN**

Over the last four decades, ASEAN has been a cornerstone and at the core of Indonesia's policy in regionalisation and the regionalism process.<sup>219</sup> Until now, Indonesia's participation in ASEAN has been regarded as the point from which Indonesia's policies towards other regional institutions begin and to which Indonesia's policies in the region's multilateral institutions refer. Indonesia hopes ASEAN will serve its interests at two levels.

First, at the sub-regional level, ASEAN is a medium that is expected to accommodate South East Asia's political and security interests for cooperation in maximising political and security benefits, managing threats of disharmony caused by unresolved tensions and disputes between states, as well as offering economic advantages through its market and economic integration agenda.

Secondly, in the regional context, ASEAN offers a venue to address the vibrant dynamics of the East Asian regional security complex in which

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<sup>219</sup> To borrow Xiao's (2012) definition, 'regionalisation' and 'regionalism' are two intertwined concepts. The former indicates the process of establishing regional institutionalised multilateral associations or forums by regional states to accommodate their interest for cooperation. The latter implies the state or degree of tendency of regional states towards having regional integration, mainly economic process, which has not necessarily been in the form of institutionalised gatherings. To put it succinctly, while regionalisation is a process of regional institution building and development, regionalism is the spirit towards establishing an integrated regional order.

cooperation and rivalries between great powers who seek influence have increasingly affected the interests of South East Asian states. In this regard, through ASEAN, Indonesia is interested in enhancing the country's capability, and that of the other members, by bringing external powers into ASEAN's web. Having their capability enhanced, Indonesia expects, on the one hand, to minimise its vulnerability and boost collective resilience against any threat and negative influences from extra-regional powers and, on the other, to build interaction and confidence among major extra-regional powers. To reach this end, Indonesia was a strong promoter of the establishment of ASEAN Family forums including the ARF, the APT, ASEAN Plus One, the EAS and the ADMM-Plus. Indeed, the intention to address the uncertain dynamics of the East Asian regional security complex have been a basic tenet of Indonesia's initiative in promoting ASEAN and the Family.<sup>220</sup>

As the core of its multilateral foreign policy, Indonesia has pursued efforts to enhance and strengthen ASEAN. These efforts, which are coordinated by the Ministry of Foreign Affairs and run under a directorate general (echelon I) and, Indonesia's ASEAN National Secretariat under the President, aim at promoting the three pillars of the ASEAN community. Despite its various setbacks, Indonesia keeps promoting people-to-people contact and adjusting national legal infrastructures with various agreements in ASEAN. In addition, as the host of the ASEAN Secretariat, Indonesia keeps proposing the strengthening of the role and function of the Secretariat to be more than just an administrator. For Indonesia, the Secretariat is too small to accommodate the mandate of ASEAN with its three pillars of cooperation.<sup>221</sup>

In response to the ASEAN challenge, especially with regard to the need for ASEAN cohesion, Indonesia has clearly declared that ASEAN and East Asian regionalisation and regionalism are the main drivers for regional integration.

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<sup>220</sup> Historically, Indonesia's intention to see the region being free from extra-regional powers' influence was a part of the proposal presented by the then Indonesian Foreign Minister, Adam Malik (who was also one of the founding fathers of the ASEAN), to his counterparts during a preliminary discussion on the establishment of the ASEAN in 1967 (Djani, 2009).

<sup>221</sup> Indeed, in terms of financial contribution to the ASEAN Secretariat, each member country sets an annual US\$ 1.5 million payment. It means that with its annual budget of about US\$ 15 million, which is for ASEAN's 600 million inhabitants, comes to 2.5 US cents per person. In contrast, the European Commission received over US\$ 200 billion in contributions from EU member states in 2012, the equivalent of US\$ 400 per person - 16,000 times ASEAN's budget (Nehru and Bulkin, 2014b).

Indonesia encourages the strengthening and unity of regional associations through improving their mechanisms, and promoting close cooperative engagement, especially technical and functional cooperation.

In addition, several Indonesian elites have displayed trust and given positive comments to defend the forums in the face of criticism. Indonesia's then Foreign Minister, Marty Natalegawa, argued that ASEAN has over the last few years dealt with pressing hard issues. This represents a departure from ASEAN's previous practices of shelving and putting the sensitive issues "under the carpet". Natalegawa lists some examples as ASEAN's involvement to help solve the issue of the Cambodia-Thailand territorial dispute in 2012. Several breakthroughs have been made which have never happened in ASEAN's history before. This is obvious from the facts that, as the chair of ASEAN in 2012, Minister Marty Natalegawa and the two foreign ministers of Thailand and Cambodia were called to New York at the time of a meeting by the UNSC to discuss the issue. Mr. Natalegawa also went on to the capitals of the two countries to discuss the tension. In addition, ASEAN foreign ministers were called to discuss this single issue only, which had never happened in ASEAN previously. After all, he argued that while ASEAN has encountered many setbacks, it is in the process of gaining its maturity.<sup>222</sup>

Similarly, Djani (2009)<sup>223</sup> responds to the criticism about the absence of expulsion and suspension provisions in the ASEAN decision-making process. That the ASEAN Charter makes no reference to suspensions or expulsions does not mean such a move will be unthinkable in the future of ASEAN. In addition to the consensus-building mechanism, the ASEAN Charter also provides a clause for other decision-making processes, which will be decided by the ASEAN leaders. This also includes the possibility of voting. Support for this argument is given by Wesaka Puja who argues that this indicates flexibility in the way ASEAN leaders discuss and take a stand on any issue related to its member-countries.<sup>224</sup> Friction

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<sup>222</sup> Personal Communication [Interview with Marty Natalegawa, Indonesia's Minister for Foreign Affairs], July 14, 2014

<sup>223</sup> Dian Triansyah Djani was the then Director General for ASEAN's Cooperation at the Indonesian Ministry of Foreign Affairs who represented Indonesia at ASEAN's High Level Panel in the drafting process of the ASEAN Charter.

<sup>224</sup> Wesaka Puja was Djani's successor as the Director General for ASEAN's Cooperation at the Indonesian Ministry of Foreign Affairs (Personal Communication [Interview with a staff member of Indonesia's Ministry of Foreign Affairs], July 16, 2014).

between two or more states is considered big enough to cause a split among members of the Association, which has only 10 countries. In this regard, allowing flexibility in decisions over sensitive issues will preserve ASEAN's unity and integrity.

### **9.2.2 Indonesia in the ASEAN Family**

In the forums of ASEAN's Family, Indonesia has sought to enhance the agenda promoting harmonious regional interactions and integration so as to achieve an order where actors are encouraged to avoid disputes and reduce conflict escalation by promoting cooperation based on an omni-enmeshment practice. While such forums as the ARF and the ADMM-Plus are politically, security and strategically motivated, the APT, the ASEAN Plus One and the EAS are economically driven.<sup>225</sup> In the process, despite the fact that there is no guarantee that positive growth or closer economic cooperation will go hand in hand with an increase in harmonious political and security interactions, Indonesia believes that their distinctive motives for economic interests on the one hand, and political, security and strategic agendas on the other, are intertwined and supportive of each other in a way that an increase in the former might help minimise, and to some extent avoid, the escalation of disputes in the latter.

#### *The ASEAN Regional Forum (ARF)*

The ARF gathers foreign ministers from 27 countries annually and creates multiple opportunities for government and non-government actors to build relations via workshops, and inter-sessional meetings and support. Through its working groups, the ARF develops some important forums.<sup>226</sup> The ARF has provided a venue for dialogue between the superpower and great powers. Although the ARF cannot function effectively as a preventive diplomacy mechanism yet, its acting as a venue for dialogue can avoid an escalation of a conflict between great powers (Seng, 2015; Cossa, 2015; Yuan, 2015). Indeed, this forum is important to support the quest for equilibrium maintenance. As order

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<sup>225</sup> Despite the establishment of the EAS being initially driven by an economic agenda, in its later phase, the forum also discusses security related issues.

<sup>226</sup> These forums include: defence and police official working group like ARF Defence Officials' Dialogue (DOD) / ARF Inter-sessional Support Group Meeting on Confidence Building Measures and Preventive Diplomacy (ISG on CBMs and PD); ARF Security Policy Conference (ASPC) / Senior Defence Officials; ARF Seminar on Preventive Diplomacy and Early Warning Systems; ASEAN Defence Senior Officials' Meeting Plus Working Group (ADSOM-Plus WG). In addition, the ARF working group also gathers experts and non-officials in the ARF Experts and Eminent Persons (EEPs) Meeting / Working Group.

is theoretically a continuous and dynamic process which is not defined as a constant absence of conflict, but more as an effort or the availability of mechanisms to control it, the ARF functions effectively in this way.

In this respect, Indonesia has two main interests in the ARF: to use the ARF to help intensify Indonesia's security capability and interest in the region, and to harmonise great powers' interaction that contribute to the promotion of a regional equilibrium.

During its formation, the ARF was created in anticipation of the incremental rise of China where the new rising power was suspected to potentially challenge the status quo and sabotage the interests of the existing smaller and medium powers in the region (Henderson, 1999; Simon, 2013). In a bid to effectively engage with China, some of the ASEAN member-states, including Indonesia, believed that the region needed to involve other powers, especially the US and Japan, so as to constrain China's potential belligerent moves (De Castro, 2012). Accordingly, a triangular relationship among China, Japan and the US is unavoidable in the ARF. Managing such a relationship of great and superpower relations has therefore been a security objective of ASEAN states in the ARF (Morada, 2010).

Indonesia thus believes that ASEAN needs to be the driving force in the ARF. This position is in accordance with the ARF Concept Paper (*The ASEAN Regional Forum: A concept paper*, 1995). It has also been widely shared among the elites in ASEAN members' capitals. By taking the driver's seat with its neutral position, ASEAN potentially ensures smooth great powers interactions (Lim, 2003).

In addition, Indonesia's agenda in the ARF is to promote the ASEAN Way in dealing with the competition between the great powers. In this respect, it is in Indonesia's interest that the socialisation process in the ARF constantly observes ASEAN's norms and modalities, which are also reflected in the TAC, such as consensus-based diplomacy; gradual development process; consultation and dialogue; the significance of state sovereignty; non-interference and conflict avoidance. Indonesia is of the view that observing the norms might lead ARF

participants, especially extra-regional major powers, to pursue policies that facilitate comfort and assurance building.<sup>227</sup>

Moreover, it is in Indonesia's interest that the ARF can be a forum for promoting regional peace and stability. A pressing issue that concerns Indonesia is maritime security in the Indian and the Pacific Oceans, with the SCS becoming one of its concerns. Indonesia expects that the ARF can supplement existing security arrangements to promote enhanced cooperation to address maritime challenges of both traditional and non-traditional security issues. Indonesia appreciates the importance of sharing best practices, developing confidence-building measures and capacity building programs to improve regional capabilities in dealing with maritime security issues. The ARF is important in providing Indonesia with the chance, both in terms of multilateral cooperation and bilateral arrangements, to be a part of regional or international efforts and to conclude various agreements to manage issues of common concern such as combating trafficking in persons, people smuggling, illicit drugs trafficking, and illegal fishing. For Indonesia, the ARF has made various bilateral arrangements possible such as coordinated patrols with countries sharing maritime boundaries with Indonesia. Not only are the arrangements and agreements beneficial to curb maritime security challenges, but they also help intensify cooperation between powers that are otherwise prone to compete for their contending political, security and strategic interests in the region.

#### *Indonesia in the ASEAN Pluses and the East Asia Summit*

Some forums in this context are the ASEAN Plus Three (APT) along with the ASEAN Plus One, and the East Asia Summit (EAS). Driven by economic motives to enhance the recovery process after the 1997 Asian Financial Crisis (AFC), as well as to build economic collective resilience in anticipation of similar crises in the future, the APT, the ASEAN Plus One (including with China/Japan/the US), and the EAS were then established respectively in the course of the period starting from 1997. In the process, these forums set a venue that brings connectivity and cooperation, and that enhances ASEAN centrality to support the quest of equilibrium maintenance.

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<sup>227</sup> Personal Communication [Interview with staff members at the Indonesian Ministry of Foreign Affairs], May 5, 6 and 19, 2014



*(a) ASEAN Plus Three (APT)*

The APT is a forum that gathers ten ASEAN countries with three North East Asian powers; China, Japan and South Korea. Economically driven, this forum helps build connectivity and cooperation that complements the regional quest for peace and stability. Since its establishment in 1997, the APT covers various fields of cooperation including trade, investment, financial and monetary matters, technology transfer, agriculture and tourism. The cooperation aims at improving knowledge about the East Asian region among East Asians; building regional networks; creating an attractive investment climate; and, forming an East Asia free trade area and free investment area (Synopsis ASEAN Plus, 2013).

An apparent effort by the APT to help the region address economic challenges was the establishment of the Chiang Mai Initiative (CMI) in 2000 as an initial step towards a regional self-help financing facility. CMI, which was a network of bilateral swap arrangements among the “Plus Three” and ASEAN-5 countries’ authorities, later developed into the Chiang Mai Initiative Multilateralisation (CMIM) in 2009. With a total fund of US\$ 240 billion, the CMIM has a similar function to the CMI, but with a multilateral arrangement and an independent regional surveillance unit called the ASEAN+3 Macroeconomic Research Office (AMRO) to monitor and analyse regional economies and support the CMIM decision-making process (Ciorciari, 2011). The CMIM, designed to enhance the effectiveness of the CMI, aims to address potential and actual Balance of Payment (BoP) and short-term liquidity difficulties in the region, and supplement existing international arrangements (such as ones run by the IMF).

In the context of supporting the measures agreed to by the EASG, Indonesia has been committed to act as a prime-mover of regional integration and harmonious interaction. So far, Indonesia’s measures have been obvious in such programs as the promotion of annual language programs for APT junior diplomats since 2005; the APT diplomatic training course from 2007 to 2010; and conducting workshops in 2007 on the involvement of NGOs in policy consultation and coordination to encourage civic participation and state-civil partnership in tackling social problems.

With the absence of other external great powers in the APT, Indonesia realises the potential imbalance of the relationship between ASEAN and the three North East Asian powers. In the long run, this imbalance is disadvantageous for

regional equilibrium maintenance. Therefore, while the APT is important to stimulate China's greater economic involvement in promoting regional growth and welfare, Indonesia and several like-minded countries proposed the establishment of the East Asia Summit which involves members of APT and other external great powers (more discussion of this will be later).

*(b) ASEAN Plus One*

The other ASEAN families are some separate arrangements of ASEAN Plus One including ASEAN's relations with China, Japan and the US. First, the ASEAN Plus China has developed gradually from an informal relationship in 1991 to a full partnership in 1996. The gradual increase in partnership is apparent in the conclusion of three important documents: the Joint Declaration of the Heads of State/Government of the ASEAN and the PRC on Strategic Partnership for Peace and Prosperity in 2003 (*Joint declaration*, 2003); the Joint Statement of the 14th ASEAN-China Summit to commemorate the 20th Anniversary of Dialogue Relations in 2011 (*Joint statement of the 14<sup>th</sup>*, 2011); and the Plan of Action (PoA) to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity 2011-2015 (*Plan of Action to implement*, 2010). The documents highlight various strategic, security and political, as well as economic cooperation. It ranges from human rights promotion, curbing non-traditional security threats, defence, cross-border crimes, maritime security and the implementation of the Declaration of the Code of Conduct (DoC) in the SCS disputes. On the economic agenda, the priority of cooperation includes the ASEAN-China Free Trade Area, finance, industry, agriculture, food security, energy and minerals, mutual investment and information and communication technology.

China has shown an interest in using the ASEAN-China forum as a channel to shape the policy of the ten ASEAN countries to favour and promote China's influence. This has been obvious in China's proposal of an ASEAN-China treaty of good-neighbourliness, friendship and cooperation (Keqiang, 2014). The proposal, which was conveyed in 2013, was met with various responses by regional countries. As the proposed treaty resembles the present ASEAN TAC (but the TAC is open to all external powers), Indonesia is still thinking about China's proposal and yet to give any response. Emphasising the importance of

having a broader regional security initiative, which is not limited to ASEAN-China only, Indonesia sees that the treaty – which appears exclusive and is aimed at circling around China and South East Asia – is potentially enhancing China's influence and contributing to the growth of China's regional hub at the expense of others.

Another highlight in the ASEAN Plus China forum is maritime cooperation. In this respect, Indonesia supported China's commitment to form an ASEAN-China maritime cooperation fund with a capital of RMB 3 billion (US\$ 472.5 million) in 2012. The fund is China's financial support towards the ASEAN-China maritime cooperation that aims at financing various actions such as maritime scientific research, connectivity and navigation safety, as well as the implementation of the DoC (Penghong, 2015). In 2014, China proposed some functional projects such as fisheries development, marine conservation, information centre, and port cities networks.

The SCS dispute is also a main concern in the ASEAN Plus China forum. Indonesia encourages China and other ASEAN claimants to fully implement the DoC and to finalise the CoC in the SCS dispute. In this respect, Indonesia proposes the formula 3+1 (Promoting confidence; avoiding incidents; managing incidents should they occur; and creating conditions conducive to peace). The formula was accepted by China and ASEAN as a basis for the finalisation of the CoC. In addition, Indonesia also encourages the promotion of confidence in the disputed areas such as through hotline communication and joint search and rescue. In a later move, while China has proposed a joint military drill with South East Asia in the SCS (Blanchard, 2015), Indonesia's Defense Minister, Ryamizard Ryacudu, proposed joint "peace patrols" between China and ASEAN states (Utami, 2015). The Minister's proposal signals Indonesia's desire for open management of the SCS dispute, where the interested parties to the sea are not limited to regional countries, but also include great powers outside East Asia.

Indonesia pays a lot of attention to the finalisation of the CoC in the ASEAN Plus China forum. Although some commonalities have been observed by all claimants, the ASEAN claimants are not satisfied with China's military moves in the SCS. All claimants have agreed to strengthen their political trust to ensure fruitful consultations; expressed commitments to the purposes and principles of the UN Charter, the UN Law of the Sea, the TAC and other relevant documents;

expressed commitment to mutual respect for each other's independence and sovereignty, upholding the spirit and principles of DoC in the SCS dispute (including full and effective implementation of freedom of navigation); and a commitment to resolve territorial and juridical disputes by peaceful means (Chongkittavorn, 2014). Nevertheless, China's increasing military manoeuvres in the area require a breakthrough in the finalisation of the CoC. Despite some feelings that it is going to be just a rule on paper without an enforcement capability, especially in the face of China's rising power (China's refusal to obey the tribunal's ruling in the SCS issue with ease is a case in point), Indonesia holds a view that the finalisation of the CoC reflects a regional intention to promote a rule-based engagement in the SCS case. In this regard, it is expected that China will not be able to stand on its own to always act as a culprit that violates a commonly agreed commitment.<sup>228</sup> Equally important, the CoC is not only about China, but is also aimed at showing other ASEAN claimants that the existence of an agreed mechanism is required to manage and control differences, dissolve conflicts and promote cooperation before the final settlement of disputes.

Economically, Indonesia promotes and welcomes the increase in trade cooperation between ASEAN and China. In 2014 for example, the total volume of ASEAN-China trade amounted to US\$ 480.39 billion, with ASEAN importing US\$ 272.07 billion and exporting US\$ 208.32 billion. This trade volume, which was an increase of 37% from 2013 that amounted to US\$ 350.5 billion, indicated that China is ASEAN's largest trade partner, and ASEAN is China's third largest partner (ASEAN-China Centre, 2015). Nevertheless, as discussed in previous chapters, the ACFTA sees an imbalance trade between the two parties as ASEAN constantly experiences trade deficits. Despite a trend in increasing trade volume between ASEAN and China, the latter experiences constant trade surpluses at the expense of the former. Thus, Indonesia seeks to upgrade the agreement as to improve fair trade practices, promote common welfare and balanced economic development.

Despite the growing deficit in trade with China, Indonesia does not deny the economic benefits that China has to offer. These benefits will be possible with

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<sup>228</sup> Personal Communication [Interview with a staff member of the Indonesian Ministry of Foreign Affairs], March 15, 2017.

China's willingness to renegotiate the terms of the trade agreement promoting fair trade. With this in mind, Indonesia also continues to encourage China's participation and support of the creation of the RCEP in order to enhance regional economic development and trade practices.

Secondly, Indonesia also welcomes growing ASEAN-Japan relations through the ASEAN Plus Japan forum. The forum, which began with an ASEAN-Japan informal dialogue in 1973, was strengthened through the ASEAN-Japan Commemorative Summit in 2003. The 2003 Summit endorsed an ASEAN-Japan Plan of Action that served as a blueprint for ASEAN-Japan comprehensive cooperation. In fact, a year after, Japan signed ASEAN's TAC to accommodate its closer engagement with the region and participation in the ARF. ASEAN-Japan cooperation is focused on intensifying community building, encouraging connectivity, and promoting disaster-resistant communities and joint efforts to counter global and regional challenges. To reach these various objectives, the ASEAN Plus Japan forum has established dialogues and consultations including the ASEAN Ministerial Meeting on Transnational Crime (AMMTC), Senior Officials' Meeting on Transnational Crime (SOMTC) Plus Japan Consultation, the ASEAN-Japan Counter Terrorism Dialogue (AJCTD), and the ASEAN-Japan Defence Vice-Ministerial Forum (in addition to the ADMM-Plus).

Indonesia supports the promotion of economic cooperation through the ASEAN Plus Japan forum. To this end, the forum concluded an ASEAN-Japan Comprehensive Economic Partnership (AJCEP) in April 2008. The increase in the total trade volume and investment between ASEAN and Japan has been a target of the forum. Both parties expect to increase their total trade to reach US\$ 500 billion and Japan's investment in ASEAN to that of US\$ 40 billion by 2022.<sup>229</sup>

Indonesia seeks Japan's support to keep the ASEAN and Japan integration thriving. In fact, the majority of ASEAN-Japan's efforts for greater cooperation and integration has been supported by the Japan-ASEAN Integration Fund – a special fund which amounted to US\$ 100 million provided by the Japanese government. Under the fund, Japan sought to prioritise ASEAN-Japan cooperation to manage various fields including counter-terrorism campaigns,

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<sup>229</sup> During the 18<sup>th</sup> ASEAN Economic Ministers' Meeting (AEM)-Minister for Economy, Trade and Industry (METI) Consultations in 2012 in Cambodia, Japan's Minister expected such increases in investment and trade (*The Eighteenth AEM-METI consultations*, 2012).

environment, disaster management, public outreach, economic partnership, climate change, health and welfare, maritime security including anti-piracy, and people exchange (*Master Plan on ASEAN Connectivity*, 2012). In addition, in disaster management, Japan frequently supports ASEAN's Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre). The support included evacuation equipment, experts, emergency supplies and ICT (*ASEAN prepares*, 2015).

Last, but not least, another forum is the ASEAN Plus the US. The forum began with the establishment of the ASEAN-US Dialogue in 1977 (*Overview of ASEAN-US dialogue relations*, 2014). Since then, their relations have developed from only discussing and exchanging views on political and security matters at the initial stage of contact to the current stage which now also include the discussion on economic cooperation in commodities, market and capital access, transfer of technology, development of energy resources, shipping and food security. Indeed, ASEAN-US relations today cover a wide range of areas, including politics and security, economics and trade, social and cultural issues, and development cooperation.

Despite the bilateral relations of some South East Asian countries with the US remaining close, the relations of ASEAN, as a multilateral forum, with the US showed a declining trend in the immediate aftermath of the Cold War. In addition, the Myanmar issue has also been a source of US' criticism towards the forum as ASEAN was adamant in denying US pressure to sanction the military junta for its suppression of pro-democracy demonstrations.

In security cooperation, Indonesia supported the US' accession to ASEAN's TAC in 2009, which marked an effort to further reaffirm US political and security commitments to the region (*Overview of ASEAN-US dialogue relations*, 2014). Through the ASEAN-US security dialogue, Indonesia seeks the enhancement of the US' role in maintaining peace, security and stability in the region. Indonesia's interests towards the US also include other areas of mutual concern such as nuclear non-proliferation, maritime security, transnational crime and cyber security, among others (*Overview of ASEAN-US dialogue relations*, 2014). In addition, Indonesia welcomed the US' commitment to be ASEAN's ally in combatting terrorism through the US signing of the ASEAN-US Joint

Declaration on Cooperation to Combat International Terrorism in 2002 (*ASEAN-US Joint Declaration*, 2002).

In economic cooperation, Indonesia has welcomed the conclusion of the ASEAN- US Trade and Investment Framework Agreement (TIFA) in August 2006. ASEAN-US economic cooperation has been brought to focus on trade facilitation, standards and conformance, intellectual property rights (IPR), and public-private sector engagement (PPE). Within the ASEAN Connectivity agenda, the US has been ASEAN's primary partner in moving forward the ASEAN Single Window (ASW) initiative and has provided technical assistance on standards and conformance for priority sectors including electrical and electronic equipment, medical devices, and automotive (*US Trade Representative*, 2006). This economic cooperation was then enhanced in 2012 by the launch of the ASEAN-US Expanded Economic Engagement (E3) initiative – a new framework for economic cooperation designed to expand the ASEAN-US trade and investment ties and create new business opportunities and jobs in ASEAN countries and the US (*Fact Sheet: The US-ASEAN*, 2012). The US was the third largest source of foreign direct investment in ASEAN with a share of 9.7%, reaching US\$ 11.1 billion in 2012. Similarly, in 2014, the aggregated ASEAN countries were the leading receiver of American direct investments in Asia which amounted to US\$ 190 billion (*Overview of the US-ASEAN relations*, 2014). ASEAN-US cooperation potentially enhances deeper region-wide economic integration and greater political cohesion. With this, Indonesia continues to believe that ASEAN needs the US to support ASEAN to remain functioning as a regional integrator, something more than the default hub for dialogue.

In conclusion, one common theme of Indonesia's position in the three forms of ASEAN Plus one is that Indonesia seeks to avoid an exclusive relationship between ASEAN and any great power which has the potential to alienate another power. This reflects a careful move to engage all important players in a bid to maintain regional equilibrium. In response to China's proposal, known as the "2+7 cooperation framework", for example, to conclude an ASEAN-China treaty of good-neighbourliness, friendship and cooperation, Indonesia has carefully examined it and maintained the need for a broader regional partnership that is not restricted to relations with China only, but also

with other countries in the region.<sup>230</sup> In contrast, given the nature of its inclusive and open agenda for the region, Indonesia supports the establishment of Economic Research Institute for ASEAN and East Asia (ERIA) by volunteering to host the institute which is funded by Japan.<sup>231</sup> Similarly, Indonesia also welcomes all relevant powers which have interests in the SCS to conduct a joint maritime patrol with ASEAN to improve common security in the area.

*(c) The East Asia Summit (EAS)*

The EAS brings together the regional great powers and the superpower to engage in constructive cooperation and dialogue. Initially engaging in economic cooperation, the EAS has become a forum to discuss pressing political and strategic issues. It provides a venue for great powers to explore with other East Asian countries ways to enhance cooperation including energy, maritime security, non-proliferation, and humanitarian assistance and disaster response. Indeed, this forum is influential in getting potential competing parties to participate in a dialogue for regional equilibrium.

Indonesia's quest for equilibrium maintenance is theoretically apparent in the EAS. In the process, Indonesia has widely supported the omni-enmeshment practice. With the intent to strengthen economic cooperation, the EAS was established with its first meeting held in 2005. In the early stages of its establishment, together with Japan, Thailand and Singapore, Indonesia proposed the need for expanded membership of the East Asian regionalisation process to include other extra-regional powers (Australia, India and New Zealand), in addition to the 13 members of the APT. This position was initially in contrast to Cambodia, China, Malaysia and Vietnam that supported maintaining the status quo of the APT membership (Camroux, 2006). After Russia and the US joined in 2011, which Indonesia also supported, the EAS has consisted of 18 members (10 ASEAN members and eight other participating countries).

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<sup>230</sup> During the 16<sup>th</sup> ASEAN-China Summit in Brunnei in October 2013, China's President, Xi Jinping, proposed a "2+7 cooperation framework," a name derived from its substances consisting of two political consensus and 7 frameworks to promote a comprehensive ASEAN-China cooperation.

<sup>231</sup> Officially inaugurated in 2008, ERIA plays three roles: (i) to support ASEAN's economic integration efforts including the narrowing of development gaps; (ii) to assist in the development of the EAS through regular intellectual inputs and (iii) to work closely with the ASEAN Secretariat in realising the East Asian community (Guan, 2011).



There have been several reasons explaining Indonesia's preference to include other extra-regional players in the ASEAN Family. First, historically, East Asia was not an exclusive region, and it continues to remain so as the regional states and the other extra-regional players share common and integrated interests. Secondly, to address globalisation impacts and non-traditional security threats with their cross-border issues, the region needs integrated efforts that should not be limited to only those states within the geographical boundaries of the East Asian region. Indonesia holds the view that open regionalism in East Asia will enhance synergy and promote better chances for addressing global challenges and non-traditional security threats.

Thirdly, with respect to the APT, there is a potential imbalance in its structure, where China's economic and military rise is relatively large. In the economic realm, China's massive economy is largely absorbing FDI at the expense of other players in the region. Ariff (2001) argues that a negative impact of China's huge economy and its greater comparative advantage than ASEAN countries show that China will make ASEAN run harder and eat into ASEAN's share of the global market. Thus, without additional members, the APT has the potential to strengthen the existing structure where Indonesia and other smaller and medium players are at risk of being overwhelmed by China. The same rationale also applies to the military field, where China's military rise has the potential to challenge the status quo in the region. To counter this challenge, the involvement of other extra-regional players is indispensable. Last, but not least, with the presence of China in the APT, ASEAN could potentially be pressured to be in a marginal position without having the capability to play a central role. In this respect, there is a concern that ASEAN will be transformed into AsEAN (with a small letter 's') which might be interpreted as the Association of East Asian Nations, where great powers, especially China, have more chances to practice their hegemony. Therefore, extra-regional players will help to provide balance.

In this omni-enmeshment process, Indonesia seeks to maintain ASEAN's centrality by taking the driver's seat. This will potentially enable the South East Asian states to impose their foreign policy and the ASEAN way on the ASEAN Family. This, which is only possible by collective capability and a cohesive region, will limit the role of the big powers and prevent them from dictating the regional agenda.

*Indonesia in the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus)*

Lastly, the ADMM-Plus is another brainchild of ASEAN aimed at fostering defence and security dialogue for a peaceful region amidst the growing intensity of great powers' interactions. In this respect, Indonesia realises the need for ASEAN to promote regional political and security consultations and networks. Observing the relatively limited growth of the political and security network, especially when compared with the development of economic cooperation in ASEAN, Indonesia is of the view that the region's economic prowess resulting from the incremental growth of regional economic cooperation and integration must be followed by growing cooperation in other sectors, including the political-security and socio-cultural fields. With the intent to strengthen regional networks and build collective resilience, Indonesia then came up with the idea of establishing the ASEAN Political-Security Community, one of the three pillars in the ASEAN Community. In the process, the ASEAN Security Community (ASC) Plan of Action, adopted in 2004, stipulated that ASEAN shall work towards the convening of an annual ASEAN Defence Ministers' Meeting (ADMM), which was then established in 2006 (*About the ADMM*, 2015).

Consistent with the ADMM guiding principles of being open and outward looking, the second ADMM in 2007 adopted the Concept Paper to establish the ADMM-Plus. The ADMM-Plus is a platform for ASEAN and its eight dialogue partners (the same composition as the EAS) – Australia, China, India, Japan, New Zealand, Russia, South Korea and the US – to strengthen security and defence cooperation for peace, stability, and development in the region through biannual summits (*About the ADMM-Plus*, 2015).<sup>232</sup> In particular, Indonesia highlights the strategic significance of the ADMM-Plus in promoting peace, stability and the development of East Asia through building strategic trust.<sup>233</sup>

The then Indonesian President, SBY, at the opening of the 2013 Jakarta International Defence Dialogue (JIDD) stressed that building strategic trust among countries in the region has been the region's main challenge. The key to maintaining peace as tensions and disputes remain is to build and strengthen

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<sup>232</sup> Originally, the summit of the ADMM Plus was held every three years, but since 2013, there has been a biannual summit.

<sup>233</sup> Personal Communication [Interview with a staff member of Indonesian Ministry of Foreign Affairs], May 22, 2015

mutual confidence and strategic trust consistently across the region (*Maintaining Asia Pacific*, 2013). Indonesia thus supports the ADMM-Plus because in the midst of imminent security challenges to the region, the forum can be a venue to promote trust among governments, militaries, and societies, as well as to highlight their shared interests and interdependence. The ADMM-Plus can help provide the foundation for continued growth and help formulate joint efforts to address security challenges. This idea is shared by current Indonesian elites, especially in the foreign affairs circle, which are of the view that a confrontational mentality can only do harm. Regional harmony can thus be promoted through regional cooperation mechanisms either in formal or informal dialogue.<sup>234</sup>

For Indonesia, the ADMM-Plus serves as a mechanism to find a long-term solution which is operational and functional to avoid dispute escalation and to build cooperation in the region, especially over such a flashpoint as the SCS. In this respect, the SCS disputes, for example, require more than a code of conduct for a peaceful and lasting agreement of the dispute. As its resolution is unlikely to come rapidly, it needs more negotiation and durable cooperation to a peaceful region and protection of the global and regional commons. In addition to dialogues and negotiation, Indonesia thus encourages the ADMM-Plus to pursue concrete joint cooperation in the SCS. Indonesia's support for the promotion of practical and operational cooperation in the ADMM-Plus is obvious as since 2010, the ADMM-Plus has agreed on six areas of cooperation namely maritime security, counter-terrorism, humanitarian assistance and disaster management, peacekeeping operations and military medicine, as well as cyber security (*About the ADMM-Plus*, 2016).

Indonesia views the ADMM-Plus as not only a complementary to any existing regional security cooperation mechanism and beneficial to curb tensions by promoting cooperation in the region, but also a mechanism to enhance the growth of the region's capability and resilience. In line with the objective of the ADMM-Plus, Indonesia has regularly conducted the Jakarta International Defence Dialogue (JIDD) since 2011. Indeed, not only is the JIDD a forum for military consultation and dialogue that promotes confidence-building, it also conducts a

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<sup>234</sup> Personal Communication [Interview with a staff member of Indonesian Ministry of Foreign Affairs], May 22, 2015

military exhibition and provides an occasion for sharing best practices, displaying the growth of military technology and intelligence cooperation among countries, most of which are also members of the ADMM-Plus.

### **9.2.3 Challenges and Weaknesses in Indonesia's maintenance of a dynamic equilibrium**

The previous discussion has explained that Indonesia's policies in ASEAN and the Family, to some extent, conformed to the guidelines. However, this conformity confronts some challenges and weaknesses that potentially contribute to the ineffectiveness of policy impacts in ASEAN and the Family. First, it is apparent that the way the government sees and handles the challenges needs more adjustment. The government's intentions and trust of ASEAN need to be followed by persistent efforts to transfer this official perception to the grassroots. While some educational and public campaign programs to promote ASEAN community building have been put in place, they are limited to diplomats or foreign policy agents, and to selective audiences (especially students and communities in some parts of big Indonesian cities).

Secondly, the growing nationalist sentiment in the Indonesian public needs to be carefully managed. On some occasions, where nationalist sentiment was high, Jakarta has displayed a balanced position between entertaining domestic audiences and its interest in maintaining good relations with neighbours. To manage such a balanced position, Jakarta has practised a face saving mechanism through backdoor diplomacy. In this regard, Indonesian diplomats were quick to point out some examples that showed Jakarta's practices of backdoor diplomacy over several hot issues. During the initial stage of negotiations between Indonesia and Malaysia over the territorial dispute in Sipadan and Ligitan, officials from the two sides engaged in several processes of negotiations in a closed session and avoided making any public or press-statements that provoked unnecessary public reactions until they had agreed to settle the case through the International Court of Justice. In this case, Jakarta's balanced position was evident where the government was able to avoid the escalation of tensions compounded by public sentiments that pushed the Army to prepare for an assault and be ready to go to war against Malaysia. In addition, Indonesia has also considered a need to set a workable mechanism to mitigate tensions and avoid the escalation of conflict in a timely manner. Indonesia has officially supported ASEAN and the Family's

decision to set a Direct Communication Link (DCL) that will ensure a speedy response to a crisis situation in the region among ASEAN Defence Ministers (“Direct Communication Link,” 2015).

However, the government’s exploitation of the nationalist sentiment has sometimes been displayed on other occasions. Currently, nationalism has been an important card for any Indonesian leader to increase popularity among domestic audiences. Under such circumstances, the government’s exploitation of this sentiment has been an obstacle to the equilibrium maintenance. One example is worth noting. At the 2013 Jakarta International Defence Dialogue (JIDD), set up to bolster trust and collaboration between nations in the Indo-Pacific region, the committee put a replica of a controversial ship named after Usman Harun on its display, which irked the Singaporean delegation (“Jakarta Dialogue Stresses,” 2014).<sup>235</sup>

Similar provocative actions such as a series of law enforcement measures including the sinking of illegal fishing or capital punishment to drug dealers have displayed a tendency that Jakarta exploited the nationalist spirit at the expense of its promotion of ASEAN friendship. In general, this punitive nationalist-driven policy also highlights a potential discrepancy from the objectives of the equilibrium maintenance policy. Some Indonesian observers have raised concerns that recent policies potentially come at the expense of Indonesia’s relations with neighbours and friends. Bayuni (2015) argues that the policies “can be counterproductive to Indonesia’s national interests and hurt its international standing” (para. 11). While the long term impact on such a policy remains to be seen, some commentators have voiced their concern about the future of East Asian harmony.<sup>236</sup>

This is not to argue that Indonesia’s reinforcement of its national law and sovereignty will be an obstacle in the quest for equilibrium maintenance, nor to suggest that any nationalist policy will be always in competition against this quest. Yet, it shows the need for multi-dimensional efforts in Indonesia’s policy to address the concern of international and regional countries in the midst of its

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<sup>235</sup> Usman Harun is regarded as an Indonesian hero for his military service and was captured and hanged in Singapore due to his subversive military action (i.e.: blowing people up) during Indonesia’s Confrontation policy against Malaysia.

<sup>236</sup> See for example, Thayer (2014), Piesse (2015), and Bangkok Post (“Fishing Fleets Warned,” 2014).

growing domestic nationalist sentiment. It requires the ability of Indonesia's diplomacy to socialise and communicate its policy, not just for the sake of informing others, but also for earning international and regional support towards such a domestic policy. In some accounts, the practice of backdoor diplomacy needs to be revitalised in Indonesia's strategy. In addition, Indonesia also needs to seek the integration of its national rule of law into ASEAN, get the law approved and endorsed by others as a collective move. This will be time-consuming, however, and there is no guarantee that the result will be in favour of Indonesia's interests, especially in minimising its economic losses in maritime fisheries owing to illegal trawlers.

Furthermore, the duration between the time of its implementation in 2014 and its issuance two years earlier had actually provided sufficient time for the socialisation of the "nationalist" law to garner regional support. Seemingly, the failure to do so within this time had caused regional surprise about the law. In fact, by sufficiently socialising, or proposing the integration of law into regional mechanisms, Indonesia will demonstrate a benign policy, familiarise others with Indonesia's concerns and, at the end, potentially enhance the level of regional agreement on Indonesia's nationalist-driven policy. In addition, the problems of illegal fishing and over-exploitation of the territorial sea are not unique to Indonesia. In a region where some national boundaries between neighbours are not yet settled, it becomes a cross-border issue and has been experienced by Indonesia's neighbours as well. Thus, a collective regional mechanism is needed for a better solution. Equally important, regional cooperation on this also offers a chance for obtaining the support of external parties, including from Japan and China that have shared concerns on the security and safety of regional waters.

Thirdly, over the agenda of economic integration, which helps promote regional interdependence for equilibrium maintenance, there is a degree of ambivalence on Indonesia's part. With the intent to maintain domestic independent economic policy, some of the Indonesian elites, especially at the Ministry of Trade, have the view that Indonesia should keep ASEAN away from moving to an economic union. The elites realise the need for economic interdependence, but are worried that Indonesia will be tied by regional integration. Following integration, it is believed that the yawning gap in the economic development of ASEAN members will make it harder for Indonesia to

take independent and effective policies to face an economic crisis. As a result, these elites prefer non-ambitious actions and a slow progress of regional economic integration in ASEAN to the fast development of an integrated economic union that has been pushed by Malaysia and Singapore.<sup>237</sup>

Fourthly, with regard to the establishment of a national body of ASEAN in Indonesia, which is called Indonesia's ASEAN National Secretariat, such an intention emerged during the SBY administration and was established during the Jokowi administration. However, the Indonesian ASEAN National Secretariat has encountered some principal and technical problems. Lack of financial support and insufficient human resources have caused the office to suffer from incompetence to pursue a mandate which has a nationwide impact. With less than 35 staff members, the Indonesian ASEAN National Secretariat has to deal with day-to-day Indonesian policy in ASEAN and the Family, as well as to have the policies communicated and managed at the national level. Although the Secretariat gets the support of the Indonesian Ministry of Foreign Affairs daily, especially the Directorate General of ASEAN Cooperation, and the directorate of Intra-Regional Cooperation in East Asia (an echelon 2 under the Directorate General of East Asian Affairs), with additional staff members of around 220 persons, this is still relatively small compared to Indonesia's participation in almost 400-1000 annual meetings, including summits, workshops, dialogues and joint sessions, conducted by ASEAN and the Family.<sup>238</sup>

Accordingly, an apparent hindrance is felt in various dimensions especially in the quality of policies including their planning, implementation, evaluation and dissemination. In fact, some important agenda items were late or failed to reach the audience of Indonesia. The information about the AEC, for example, was not well disseminated to the people, but only to small selected groups of academics, students and businessmen who were residents of big cities in Indonesia. This was obvious when the Indonesian Workers Association Confederation criticised the government for not informing people about the ASEAN Economic Community (Alamsyah, 2015). In view of such a handicap, it is timely and relevant to consider the establishment of a national body directly under the President which

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<sup>237</sup> See, for example, Sapiie (2015).

<sup>238</sup> ASEAN calendar meetings can be accessed online at the ASEAN Notional calendar (ASEAN Secretariat, 2015).

has a greater mandate, authority, financial resources, national network and sufficient human resources.

In addition, while the elites are in agreement with the significance of omni-enmeshment, ASEAN centrality, and rule of law and norms to improve the performance of ASEAN in maintaining equilibrium, they are reluctant to see the abandonment of the non-interference principle. Indonesia's traumatic experience of external intervention, enhanced by a long presumed sense of regime security stemming from non-external interference, has been a cause for Jakarta's support for the principle.

Last, but not least, the effectiveness of the policy outcome does not solely depend on Indonesia, but requires the active support of regional countries that have distinct interests. In this respect, ASEAN's divergence and varied position vis-à-vis great powers and the superpower continue to complicate Indonesia's stance; on the one hand, to maintain ASEAN unity, and on the other, to serve as an honest broker between China and the other member states of ASEAN. Each ASEAN member has its own strategic considerations and calculations. Clearly, despite no single response being officially made by the other nine ASEAN members about Indonesia's maintenance of equilibrium policy, their national policies responding to the regional dynamics, highlighted by the super and great powers interactions, are unsurprisingly varied from convergent to divergent with respect to the policy. While Malaysia pursues a "wait and see" policy highlighting that its hedging move is similar to Indonesia's (Parameswaran, 2015), several member states, such as Singapore and Vietnam, are leaning more closely towards the US. Equally, potentially in divergence from Indonesia's equilibrium maintenance policy, Vietnam and the Philippines are also engaging in almost as confrontational behaviour in the SCS as Beijing (Kurlantzick, 2013). In 2014, the Philippines and the US signed the Enhanced Defense Cooperation Agreement (EDCA) that allows for the increased presence of US military forces, ships, aircraft, and equipment in the Philippines on a non-permanent basis and greater US access to Philippine military bases (Lum, 2014). Similarly, there is no guarantee that in the future Cambodia will not repeat its move in 2012 that led to the failure of ASEAN to conclude a joint communique in its final ministerial



meeting.<sup>239</sup> To some extent, all of these manoeuvres were a reflection of a potential disintegration in ASEAN. Yet, while the differences potentially hamper Indonesia's intention to maintain a regional equilibrium, these are issues that should also be, in part, the target of the equilibrium maintenance policy in Indonesia's bilateral relations with each of ASEAN countries.

### **9.3 Conclusion**

Before assessing Indonesia's policy towards ASEAN and the Family, especially with regard to the effort for the maintenance of a dynamic equilibrium, this chapter has presented a discussion on the role of ASEAN and the Family in supporting the equilibrium maintenance. It argues that despite some setbacks, ASEAN and the Family have the capacity to play roles in supporting Indonesia's idea of equilibrium maintenance in the region. In this respect, ASEAN and the Family provide forums that not only allow Indonesia and other members to cooperate, build connectivity and promote confidence and peace among themselves, but also grant Indonesia and other members a chance to practise an omni-enmeshment approach by engaging other great powers through dialogues and cooperation. Indeed, the ASEAN-led architecture with the establishment of some of the ASEAN Family has helped support Indonesia's quest for regional equilibrium.

Furthermore, in this chapter, using the conceptual framework discussed previously, the maintenance of a dynamic equilibrium in ASEAN is defined as protracted regional efforts to promote an order, which is a kind of balanced, harmonious and stable condition within inter-state relations, and free from friction and hegemons. This chapter makes it clear that Indonesian policy towards ASEAN and the Family is not distinctive, but complementary to its bilateral policies with the three big powers described earlier.

To promote the equilibrium through ASEAN and the Family, this chapter has recommended several guidelines to be pursued by Indonesia regionally through multilateral forums in ASEAN and the Family, and on the domestic front.

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<sup>239</sup> Cambodia's resistance as ASEAN's chairman to the agreement on a Foreign Ministers' communique was allegedly due to pressure from Beijing which wanted to keep any mention of the SCS dispute, especially with regard to the argument between China and the Philippines in the Scarborough Shoal, out of the final statement (Hayton, 2014).

The guidelines are basically some recommendations to ensure that ASEAN will be able to promote order and regional stability.

Overall, despite some evidences of conformity with the guidelines, Indonesia's policy towards ASEAN and the Family to maintain the dynamic equilibrium, to some extent, are marred by domestic challenges and differences within ASEAN. In some accounts, the challenges and weaknesses contribute to the ineffectiveness of Indonesia's policy implementation in the ASEAN and Family. In this regard, several goals to strengthen ASEAN cohesion have been pursued, and elites' perception and trust of ASEAN remain intact. Indonesia's support for ASEAN to practise greater omni-enmeshment has also been articulated. Indonesia's effort to promote ASEAN centrality to enhance its role as a driver of regional forums has also been palpable. This, to some extent, allows an optimistic view that Indonesia has the intention to pursue a policy for equilibrium maintenance through ASEAN and the Family.

At the same time, the challenges towards the maintenance of a dynamic equilibrium, however, also arise stemming from an inconclusive national stance towards ASEAN. In this regard, the government's ambivalence looms large as various domestic stimuli increasingly influence the decision-making process. Nationalist and sovereignty principles remain as sacred dogmas that elites need to promote and defend, and are potentially perilous to regional friendship and hazardous to Indonesia's intentions to promote regional cohesion and to create a dynamic equilibrium. Equally important, Indonesia is still indecisive in supporting the regional agenda for fast economic integration. The improvement of the capability of Indonesia's ASEAN National Secretariat for managing Indonesia's policy towards ASEAN is also long overdue. Last, but not least, Indonesia's effort for equilibrium maintenance will be tested by ASEAN's divergence and members' varied positions vis-à-vis great powers and the superpower. In the end, despite the conformity with the guidelines, Indonesia's policy towards ASEAN continues to show the degree to which the government is performing a balancing act and its ambivalence towards policies supporting regional integration and appeasing domestic nationalist sentiment. Accordingly, Indonesia's policies towards ASEAN and the Family reflect its limited influence in the midst of regional collective efforts for equilibrium maintenance.



## **Chapter 10: Conclusion and Policy Recommendations**

In view of Indonesia's search for a dynamic regional equilibrium, which was initially promulgated in the era of President Soesilo Bambang Yudhoyono, and the growing dynamics of the interactions of great powers and the super power in East Asia, this study is timely, relevant and significant. While much has been written about the dynamics of China's rise, the US' rebalance policy and Japan's transformation in the region, only a few authors have discussed the impacts on Indonesia and rarely pursued a thorough discussion about the special impacts on the country. Likewise, some scholars have also commented, either positively or negatively, on the pursuit of Indonesia's policy for equilibrium maintenance to respond to regional dynamics. Nevertheless, it is rare to find scholarly articles that have included conceptual and theoretical frameworks specifically referring to such related concepts as the dynamic equilibrium maintenance and the facilitation of order. Equally important, while the Indonesian elite's perceptions have been varied in responding to the nature of regional dynamics, especially China's rise, the US engagement and Japan's transformation, this study has aimed at analysing the impacts of evidence that presents both threats and opportunities for Indonesia and, at the same time, to help inform and shape the foreign policy decision-making process.

This thesis has revealed some findings that correspond to its two main objectives which are, first, to investigate the impacts of regional dynamics towards Indonesia's interests and, secondly, to evaluate Indonesia's foreign policy of equilibrium maintenance in response to regional dynamics. The thesis was divided into two main parts. While the first part examined the threats posed and opportunities presented by the regional great powers and the superpower towards Indonesia, the second part gauged the depth of Indonesia's commitment to the policy of the maintenance of a regional dynamic equilibrium in the midst of the current dynamics of East Asia highlighted by the great powers and superpower relations.

### **10.1 Theoretical Frameworks and Research Methodology**

Using several theoretical and conceptual frameworks, the first part of the thesis described the impacts of regional dynamics characterised by three main issues –

the rise of China, US' reengagement and Japan's transformation – on Indonesia's interests. The second part discussed the extent of the implementation of the concept of dynamic regional equilibrium in Indonesia's foreign policy in response to these regional dynamics. Part 1 highlighted the impacts in the form of threats and opportunities. Conceptually, threats were defined as the promise of harm, potential danger or the presence of risk arising from any adversarial conduct by actors in the region with the potential to degrade, interrupt or deprive Indonesia of its resources. Opportunities were defined as the opposite of the threat. Part 2 produced a map of Indonesian policy for the maintenance of a dynamic regional equilibrium by highlighting the place of this policy in post-Cold War era Indonesia, especially in the midst of regional transformation.

To explore the main objectives, this thesis used two main techniques of data collection: interviewing and textual / documentary investigation. The data collection was conducted in two different timeframes; first, during the SBY administration (from March to September 2014) and, secondly, during the Jokowi administration (from June to September 2016). The data collection was primarily through in-depth interviews, which were semi-structured with more than 50 officials and eminent persons involved in the process of Indonesian foreign policy making. Textual or documentary investigation was conducted using both primary and secondary resources. The primary resources included official documents published by relevant agencies in Indonesia, such as the Ministry of Foreign Affairs, the Ministry of Marine Affairs and Fisheries and the Ministry of Defence, and official news releases. The thesis carefully derived secondary resources from various agents including the mass-media, scholarly articles and research institutes both internationally and locally. In addition, to seek comprehensiveness, a wide range of views of experts on Indonesian foreign policy were also consulted.

To analyse the data in accordance with the objectives, this thesis used the technique of inductive program theory development as postulated by Patton (2015, 543). Accordingly, some stages of analysis were developed in the two parts of the thesis. For the first part, especially for Chapter 3, the researcher first classified the data both from the central ideas of the interviewees and from some information in the secondary data collection. Then, the impact of China's rise was evaluated using the typical set of a threat assessment and the extent of threat consequences as postulated in Bateman's valuation of threats and risk in regional maritime

security (Bateman, 2010). In addition, for the analysis of all three chapters in the first part of the thesis including Chapters 3, 4 and 5, the researcher mainly used some conceptual frameworks and theories including the dynamic equilibrium, facilitation of order, the concept of threat, foreign policy and national interests, Regional Security Complex Theory and the theory of the balance of threats. These concepts and theories, which were discussed in Chapter 2 and in addition to other relevant theories of IR, helped frame the analysis of the thesis. By then relating the contemporary evidence of regional dynamics to the conceptual and theoretical frameworks, the researcher was able to conclude that there were several impacts, both negative and positive, of the three powers' foreign policy in the region and of their relations and interactions on Indonesia's interests.

In analysing the second part of the thesis (Chapters 6, 7, 8 and 9), using similar stages developed in Part 1, the thesis then focused on finding what Indonesia has been doing in its relations with China, the US, Japan and Indonesia's participation in ASEAN and the Family. In this context, some domestic elements were brought to attention as they are influential in shaping Indonesia's foreign policy. To evaluate the extent of Indonesia's efforts to pursue equilibrium maintenance, the researcher formulated operating guidelines using the data, propositions, and similar theoretical and conceptual frameworks employed in the first part. The formulation of the guidelines also closely observed particular challenges that have emerged from the regional dynamics. The operating guidelines helped establish some frameworks and parameters of dynamic equilibrium policies. In the end, by relating Indonesia's efforts to the guidelines, the researcher concluded the extent of Indonesia's efforts and weaknesses in promoting the concept of equilibrium maintenance, especially in the country's relations with China, the US and Japan, as well as its participation in ASEAN and the Family.

## **10.2 Research's Findings**

It is clear from the analysis in the three chapters in Part 1 (Chapter 3, 4 and 5) that there is a degree of interconnectedness between the impacts of one power with another power on Indonesia's interests. As a result, the impact of China's rise cannot be exclusively analysed without relating it to the impacts of the US 'reengagement and / or Japan's transformation. Similarly, the US and Japan's

impacts on Indonesia were closely related to the dynamics of China's rise and their interactions with China in the region.

In addition, Part 2 (Chapters 6, 7, 8 and 9) suggests that there is also a degree of interconnectedness between Indonesia's policy formulation and the dynamics of the region. As the dynamics of the region, especially ones related to great powers and superpower relations, play a role in influencing Indonesia's policy, the extent of the impact of these dynamics towards Indonesia had also been influenced by Indonesia's policy of maintaining a dynamic equilibrium towards the great powers and superpower. It means that in addition to the external factors, which are related to the inherent nature of China's rise, US' reengagement policy and Japan's transformation, Indonesia's responses towards these dynamics were also influential in determining the level of Indonesia's vulnerability and / or benefit vis-à-vis regional dynamics. In other words, to some extent, Indonesia's policy to respond to the dynamics plays a part in manufacturing the impacts of the regional dynamics on Indonesia both to become threats or opportunities.

The main findings of the thesis are detailed below:

#### **10.2.1 The impacts of the dynamics of great powers and the superpower and their interactions on Indonesia**

Chapter 3 provided discussion of the rise of China and its impact on Indonesia and shared how it created opportunity for and a threat to Indonesia's interests. The theory of the balance of threat shaped the analysis of this chapter. Indeed, the logic of the four factors in the theory of balance of threat – i.e.: aggregate power, proximity, offensive capability and offensive intention – is relevant to explain the nature of China's rise. It suggests that having rising national comprehensive power drives China, on the one hand, to exercise power dominance, gain more influence and fight to secure its interests more aggressively. Yet, on the other hand, China has also carefully crafted its policies to avoid international outcry that could potentially jeopardise its agenda to create a conducive environment for economic interests. The agenda of economic development requires China to have a shared interest with Indonesia to promote regional peace and security. Consequently, supported by its rising national comprehensive power – a reference to first three factors of the balance of threat theory – and influenced by its calculation of domestic and external inputs, including the agenda for economic prosperity – referring to its intention – China's pursuit of its interests not only

presents a likely threat to Indonesia but, at the same time, presents Indonesia with resources as an alternative and main partner in economic, military and strategic cooperation.

More specifically, Chapter 3 found that the positive impact of China's rise for Indonesia can be seen in the following ways: first, China is a resource for Indonesia's military development; secondly, China is a resource for Indonesia's economic development; and, thirdly, it is a potential partner that offers Indonesia an opportunity to adopt a non-military balancing strategy against the US and other major powers. The three positive impacts also come with alarming threats of negative consequences which are mainly in the form of China's bullying.

In this respect, one of the threatening concerns is Indonesia's potential economic dependence on China that might trigger Indonesia's vulnerability to China's pressure and influence. This enhances China's leverage to shape Indonesia-China bilateral interactions on China's terms and in its favour. In addition, Indonesia's territory, especially in the northern part of the Natuna waters which lie astride in the strategic sea lanes of communication as well as contain rich natural resources, has been at the core of the threat. China's bullying in the Natuna waters has been one of the greatest threats. Several factors promulgated by the theory of the balance of threat have the potential to enhance China's threats in this area.

Chapter 3 further argued that tensions might happen in the Natunas with some strains in bilateral relations, but the course of a secure regional order will persist as no conflict or disruptive effects will escalate. The potential escalation of China's threats can be contained and controlled by a set of conditions – balancing and exploiting mutual economic cooperation as well as regional unity. It is implied that Indonesia alone cannot manage and control China's threat. Rather, it needs the active participation and cooperation of others in the region, including the presence of the US and other regional powers as the balancer of China's growing power. Also, China's current threat can be seen as minor and manageable owing to the growing bilateral relationship between Indonesia and China, with more focus on promoting mutual economic development and various other acts of cooperation that discourage any hostilities and the use of force that would potentially disrupt the interests of both countries. China displays some elements of threat due to its intentions to be prejudicial to the status quo order in the region



and potentially hostile towards Indonesia. Yet, this threat is restricted and minimised mainly by China's greater interests for economic benefit and Indonesia's moves to incorporate other regional players.

Chapter 4 discussed the US reengagement policy in the region and how it has impacts on Indonesia. The US reengagement, which adopts various approaches to advance US interests through political, economic and military means, has encountered the dynamic of China's rise. The US reengagement cuts across China's military and economic rise along with the latter's growing interests and intentions of becoming a limited revisionist towards the US led regional order. This dynamic reflects divergent ambitions and rivalries between both powers for influence and dominance in the region. Accordingly, the US-China interactions in various fields have seen the intensification of their bilateral competitive and cooperative elements and, in turn, created both negative and positive consequences for Indonesia.

Chapter 4 found that the impacts of US reengagement and US-China interactions on Indonesia include enhancing a regional hedging strategy conducive to Indonesia's interests; enabling Indonesia to have a minimalist strategy between the US and China for maximal gains and defying a total loss; and, negatively contributing to the escalation of military tensions in the SCS harming Indonesia's security and economic interests.

Chapter 5 discussed Japan's transformation and its impact on Indonesia's interests. Japan's military and security transformation with its defence modernisation and more active roles in the security, political and economic realms have generated some impacts on its relations with the US, China and, in turn, on Indonesia's interests. In the dynamics of great power and superpower relations, Japan's transformation has, on the one hand, enhanced its traditional bilateral cooperation and engagement with the US and, on the other, triggered cautious alarms against China and highlighted some competitive interactions in the midst of their growing economic interdependence. For Indonesia, although Japan's transformation has positive and negative consequences, it is the positive one that potentially prevails.

More specifically, Chapter 5 found that the impacts of Japan's transformation, its interactions with the US and China on Indonesia include enhancing positive impacts on Indonesia, especially to offer better chances for the

country's pursuit of hedging or an even-handed policy vis-à-vis China; conforming to the need for the presence of stronger and active Asian powers in the midst of China's rise which, in turn, fit in with the equilibrium maintenance policy promulgated by Indonesia; and; potentially encouraging ASEAN's centrality through Japan's support for East Asian regionalism where ASEAN is encouraged to be able to moderate Japan-China rivalries. Nevertheless, it has also been found that there is a negative consequence in the form of an indirect nature of threat that emanated from Japan's transformation that potentially triggered a regional security dilemma and enhanced competitive interactions between Japan and China.

In general, from the three chapters in Part 1, it is apparent that the three powers' interactions have brought interrelated impacts on Indonesia. In view of the positive impacts, besides supporting Indonesia's national comprehensive power through military and economic cooperation, the presence of one power enables and supports Indonesia's hedging moves against another. Yet, at the same time, the dynamics of their interaction have also been, to some extent, filled with competition for influence that will potentially escalate regional tensions and competition both of which are hazardous to Indonesia's interests. For example, a main concern in the dynamics of Indonesia-great and superpower relations is related to the SCS dispute where the rise of China's aggregate power and nationalism enhances its assertiveness in disputed claims in the SCS. The presence of the three powers in the SCS dispute has shown positive and negative impacts. While the presence and commitment of the three powers are needed to maintain peace and stability through their individual balancing power capability in the area, and the presence of the US and Japan is needed to support the regional weaker states' position in the SCS dispute vis-à-vis China, their presence might also escalate tensions in the area.

#### **10.2.2. Indonesia's pursuit of an equilibrium maintenance policy in the region**

The conceptual framework in Chapter 2 defined "equilibrium" as a stable state of affairs in a particular system or a state of balance between two or more different ends within a system. Relating this definition to the doctrine of equilibrium maintenance, which was first introduced by the then Indonesian Minister of Foreign Affairs, Marty Natalegawa, equilibrium maintenance in the region is the

promotion of an order which speaks of common security, common prosperity and common stability to bring peace, security and stability to the region. The dynamic equilibrium is hence not an ultimate end; rather it is a process that requires the adoption of accepted rules governing the regional interaction.

From the discussion in Part 2 (Chapters 6, 7, 8 and 9), it can be concluded that Indonesia has displayed an array of efforts conforming to the policy of equilibrium maintenance as inspired by the concept. Indeed, there has been a degree of maintaining a policy for balancing or even-handed strategies in Indonesia's foreign relations with the US, China and Japan, as well as in the country's participation in ASEAN and the Family. In accordance with the guidelines formulated in each chapter, a series of policies has confirmed how Indonesia has pursued a balanced move between the three powers, maintained good relations and interactions with them in the midst of their contending interactions, and been aware of the implications of Indonesia's behaviour to particular states on other contending states. Indonesia's policy differs from the three familiar characteristics in the making of an alliance inspired by the Realist balance of threat theory: exclusively bandwagoning with a threatening state; balancing with a non-threatening state against a threatening one, and / or a self-help stance. Nevertheless, Indonesia's policy of equilibrium maintenance has displayed various challenges and weaknesses that have affected the efficacy of policy implementation. Some domestic elements and external factors which have been either intentionally developed, or beyond control, have halted Indonesia's efforts to pursue the equilibrium maintenance effectively.

First, Chapter 6 found that Indonesia's foreign policy towards the US in the military, strategic and economic areas, despite some weaknesses, has demonstrated, to some degree, the intention to promote the concept of the dynamic equilibrium. In this context, in view of some of the dynamics of the US engagement and its impacts as discussed in Chapter 4 as well as the conceptual frameworks of Chapter 2, Chapter 6 formulated five operating guidelines for equilibrium maintenance including: (i) supporting the US presence in the region; (ii) intensifying US cooperation to strengthen regional institutions; (iii) promoting Indonesia's cooperation with the US in military and defence systems; (iv) promoting trade and investment cooperation with the US; and (v) Indonesia's engagement with the US should not interrupt good relations with China. All of the

five guidelines reflect a requirement for an “even-handed” policy between the US and China on the part of Indonesia, and encourage minimalist strategies to promote a regional dynamic equilibrium. These guidelines highlighted the importance of the US both in bilateral and multilateral arrangements to preserve a regional equilibrium and, at the same time, the importance of Indonesia’s maintaining good relations with China.

In this respect, Chapter 6 has discussed several of Indonesia’s compliant policies including Indonesia’s intentions to encourage the US military presence in the region, promote US’ support for strengthening regional institutions and developing Indonesia’s military and defence systems, and to closely engage with the US in economic cooperation. In its relations with Washington, Jakarta has also displayed its intention to maintain good relations with Beijing by avoiding any provoking moves towards the latter. Yet, at the same time, the implementation of these conforming policies was marred by aspects that potentially run counter to the intention of equilibrium maintenance. There are a minimum of four challenges or weaknesses evident in Indonesia’s efforts to maintain regional equilibrium in its relations with the US including the influence of a sense of territorial sovereignty in the midst of a threat perspective; pragmatism; and the outcome which is highly dependent on the US attitudes towards the concept; as well as a lack of grand strategic design.

Secondly, Chapter 7 has found that although an array of efforts in Indonesia’s policy towards China conformed to the concept of regional equilibrium maintenance, some challenges and weaknesses arising especially from domestic elements continued to affect Indonesia’s perseverance to maintain the equilibrium in the region. In this context, in view of the dynamics of China’s rise and its impacts, and the need for Indonesia’s effort to promote opportunity and minimise threats as responses towards the impact of China’s rise, Chapter 7 formulated four operating guidelines: (i) integrated policies under an effective leadership is needed; (ii) engagement with China should aim at not only promoting Indonesia’s sole interests but also bringing China to become entangled in the web of international cooperation, norms and rule of law, as well as the promotion of a non- exclusive relationship; (iii) promoting confidence-building measure through defence diplomacy; and (iv), bilateral cooperation based on

equal rights, respect for law and order, open relationship and involving public scrutiny.

In relation to the four guidelines, Chapter 7 found that Indonesia's policy has displayed compliant efforts to promote an effective leadership, enhanced defence diplomacy with China in broader terms and, pursued cooperation with China both bilaterally and regionally. Indonesia has also promoted equality in these various cooperation that respect laws and norms. In addition, the Indonesian government has also allowed the public to access the process of some negotiations and agreements, as well as pursued open bidding practices in government projects for various international companies. Nevertheless, it was also found that some challenges remained to contest the effectiveness of Indonesian equilibrium maintenance in its relations with China. A lack of coordination between government institutions has challenged the pursuit of an integrated national stance against China. Furthermore, unprepared domestic economies to compete with Chinese businesses have raised the concern of economic survivability in Indonesian side. In the process, this challenges Indonesia's efforts to engage in economic cooperation with China. Another challenge is that some bilateral agreements, MoUs or treaties between China and Indonesia need to be implemented to enhance cooperation at all levels. Equally important, Indonesia's obvious pragmatism remained an issue. Last, but not least, the Indonesia-China asymmetrical relationship, highlighted in Chapter 3, has to some extent halted Indonesia's leverage and capability to determine the trajectories of China's foreign policy. In other words, similar to the challenge when dealing with the US, the outcome of Indonesia's equilibrium maintenance policy towards China is also highly dependent on the latter's attitudes towards the concept.

Thirdly, in discussing Indonesia's policy towards Japan, Chapter 8 found that despite some weaknesses, there has been a degree of conformity with the guidelines of the maintenance of a dynamic regional equilibrium in the policy. In this context, Chapter 8 employed six operating guidelines including: (i) supporting Japan's presence in the region; (ii) intensifying cooperation with Japan to strengthen regional institutions; (iii) promoting cooperation in military and defense systems; (iv) promoting trade and investment cooperation; (v) Indonesia's engagement with Japan should not interrupt the efforts to maintain relationships and cooperation with China and other regional players; (vi) the need to support a

close Japan-US alliance, which is not to balance against China but to ensure Japan's transformation does not become a destabilising factor in regional security.

Relating Indonesia's policy to the guidelines, Chapter 8 concluded that Indonesia has greatly supported Japan's presence in the region; encouraged Japan's support and participation in strengthening regional institutions; and, carefully crafted a foreign policy towards Japan on the basis of not annoying and harming China. In addition, Indonesia considers the Japan-US alliance as a stabilising factor that helps put Japan in check and leads the US to stay in the region. Gradually, Indonesia has also engaged in military and defence cooperation with Japan. Economically, Indonesia relies on Japan as a major trade partner and investor that can help Indonesia offset its trade deficit and promote national development. There are, however, some weaknesses which influence the effectiveness of the policy. These weaknesses, affected by both internal and external factors and which are either intentionally crafted or beyond the reach of Indonesia's control, include obvious pragmatism and the absence of a grand strategy; the risk of a zero-sum game calculation in a trilateral relationship between Indonesia, China and Japan; the dependence of the outcome of the policy on the attitude of Japan towards the concept of equilibrium maintenance; and, Japan's military cooperation with countries in South East Asia, likewise with other great powers, is beyond Indonesia's control and influence.

Fourthly, analysing Indonesia's policy in ASEAN and the Family, Chapter 9 found that despite some convergences with the guidelines of equilibrium maintenance, Indonesia's policy for equilibrium maintenance reflected an ambivalent position domestically and was overwhelmed by divergent stances internally within ASEAN nations which, as a result, meant Indonesia's policies engendered limited influence in the midst of members' varied interests. In this respect, Chapter 9 formulated some policy guidelines based on theoretical and conceptual frameworks, and in a response to challenges and weaknesses on the Indonesian domestic front and regional level.

On the domestic front, the greatest challenge potentially interrupting Indonesian policy for the maintenance of equilibrium came from the inconclusive national stance towards ASEAN. Some rationales that are associated with this challenge have been the growing trend of nationalist sentiment and pragmatism in the country, in addition to persistent differing perceptions both within the

Indonesian elites and between the elites and the grassroots about ASEAN and the Family. Furthermore, insufficient resources for the foreign policy agents, especially the office dealing with ASEAN and the Family under the Indonesian Ministry of Foreign Affairs, have compounded Indonesia's inconclusive national stance towards the forums. Turning to the regional level, a main challenge was related to ASEAN's lack of leverage and capability as a vehicle to pursue a dynamic equilibrium in the midst of growing rivalries between the US, Japan and China. In turn, all of these challenges and the concept of equilibrium maintenance helped influence the formulation of some basic guidelines domestically and multilaterally.

Given the different nature of the challenges between domestic and regional levels, Chapter 9 recognised that Indonesia's policy towards ASEAN and the Family requires, on the one hand, several measures of adjustment at the Indonesian domestic level and, on the other, Indonesia's efforts at the regional level through ASEAN and the Family. On the domestic front, the following three adjustments served as the operational guidelines: (i) a commitment to put trust in, and remain positive about, ASEAN's potential; (ii) persistent government programs through public outreaches, and; (iii) the improvement of Indonesia's ASEAN National Secretariat. In the region's multilateral level, the following two guidelines aim to strengthen ASEAN in the pursuit of the agenda of equilibrium: (i) promoting ASEAN cohesion, and (ii) promoting *omni-enmeshment* and rule of law and norms, as well as abandoning the "ASEAN Way" principle of non-interference through face saving mechanisms.

Relating the guidelines to Indonesia's policies in ASEAN and the Family, Chapter 9 concluded that although some policies have displayed a degree of conformity, Indonesia's policy towards ASEAN and the Family to maintain the equilibrium presents an ambivalent position domestically and continues to encounter internal division within ASEAN. This situation is consequently influential on the effectiveness of Indonesia's policy in ASEAN and the Family. This chapter recognised that, conceptually, Indonesia's efforts have demonstrated a degree of conformity both directly and indirectly to the guidelines that ensure ASEAN is able to promote regional order and stability. Indeed, it is clear that Indonesia has displayed efforts to promote ASEAN's cohesion, displayed trust and confidence in ASEAN at the official level, and taken balanced positions

between nationalist sentiment and promoting good external relations. In addition, through the ASEAN Family, mainly the ARF, the APT, the ASEAN Plus One(s), the EAS and the ADMM-Plus, Indonesia seeks to pursue *omni-enmeshment*. At the heart of these efforts, Indonesia seeks to promote ASEAN centrality and to make ASEAN an organisation supportive of the rule of law and norms.

This conformity to the guidelines is, however, still mired by challenges and weaknesses that, in turn, affect the effectiveness of Indonesia's policy in ASEAN and the Family. Indeed, some challenges and weaknesses remain including: (i) the government's intentions and trust of ASEAN need to be followed by persistent efforts to transfer this official perception to the grassroots; (ii) the growing nationalist sentiment needs to be carefully managed; (iii) there is a degree of ambivalence in elites' view on the implementation of regional economic and market integration; (iv) a clear agenda to establish a national body of ASEAN in Indonesia is yet to come, and; (v) the effectiveness of the policy outcome does not solely depend on Indonesia, but requires the active support of regional countries that remain to have distinct interests.

Part 2 has clearly illustrated that Indonesia's policies towards the US, China and Japan have, to some extent, displayed conformity with the equilibrium maintenance concept. Indeed, some basic ideas of equilibrium maintenance, mainly balanced and even handed strategies and *omni-enmeshment* policies, have been very evident in Indonesia's relations with the superpower and the great powers. Yet, a pattern of challenges and weaknesses continues to get in the way and influence the efficacy of the equilibrium maintenance efforts. Some issues, including an obvious pragmatism, nationalist sentiment, asymmetrical relationships, and the lack of grand strategic design, continue to challenge Indonesia's equilibrium maintenance policy. Equally important, as the order of the region requires collective and protracted regional efforts, Indonesia's agenda for equilibrium maintenance depends highly on others' intentions.

Similarly, the interests of regional great powers and superpower are also important to determine the outcome of the concept of equilibrium maintenance. Connecting the two parts of the thesis, especially in view of the impacts of the US' reengagement, China's rise and Japan's engagement which showcase their prominent attitudes towards the region, it is concluded that despite their distinctive national interests, the great powers and the superpower share a



common position with Indonesia's concept of regional equilibrium, especially in their interest to promote peace and stability in the region. Undeniably, securing the Sea Lane of Communication in the East Asian waters and maintaining peaceful region are of important for economic and strategic interests of all the powers. In addition, their interests for gaining influence has also brought their greater engagement in the region, despite, in some part, this is framed in rivalries or competition.

### **10.3 Recommendations for Further Research**

Any policy and actions in Indonesia's bilateral relations with the superpower and great powers, as well as in ASEAN and the Family, are only a part of Indonesia's foreign policy practices in the region. Accordingly, this study acknowledges that the discussion of Indonesia's foreign policies discussed in this thesis, especially with the US, China and Japan in relation to a search for the maintenance of a dynamic equilibrium, are not distinct from Indonesia's foreign policy towards other countries in the region. In this regard, promoting a regional dynamic equilibrium is a collaborative effort that requires the support and participation of all states in the region. It is, therefore, acknowledged that this thesis only contributes to analysing a part of the "puzzle" in the context of regional efforts to maintain peace and security. It recognises the need for further research on Indonesia's foreign policy with other East Asian countries and the efforts of other regional countries in the promotion of a regional dynamic equilibrium.

### **10.4 Research's Recommendations**

Based on the above discussion, this thesis provides the following recommendations:

- Indonesia should continue promoting good, balanced and harmonious relationships with the three powers (the US, Japan and China).
- Indonesia should encourage the three powers to seek to develop ways to promote cooperation and reduce tensions.
- Militarily, Indonesia should develop a defence diplomacy which emphasises cooperation for conflict prevention and peace-building mechanisms with the three powers.
- More specifically, in relation to China's military rise, Indonesian military strategy needs to be flexible and resilient and, at the same time, needs to

develop and improve. In this regard, the Indonesian Army should work to enhance its capabilities and other capabilities to confront Chinese anti-satellite, cyber-attacks, and to foster anti-access/area-denial capabilities to counter Chinese force projection and its paramilitary units in the Natunas. Indonesia should also consider enhancing a capability to reach targets in China to deter and degrade Chinese anti-access/area-denial capabilities.

- Economically, Indonesia should engage and diversify its economic cooperation with the three powers.
- In all of the bilateral cooperation, especially with regard to the strategically important issues, public scrutiny in the form of parliamentary control should be enhanced in order to avoid any clandestine agreement from benefiting corrupt individuals and being detrimental to national interests.
- National leadership should be effective in taking the lead in the foreign policy process in order to avoid divided stances.
- The government should persistently transfer ASEAN's spirit of cooperation and integration to the grassroots.
- The government should carefully manage the growing nationalist sentiment.
- Domestically, the Indonesian government should enlarge and enhance the capacity and the authority of the Directorate General for ASEAN Cooperation under the Ministry of Foreign Affairs.
- Indonesia should remain supportive and proactive to promote ASEAN integration and close cooperation for regional unity so as to face the challenges that arise.



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**Interview Questions**

**University of Waikato**

**Faculty of Arts and Social Sciences**

The following questions outline some of the topics that I would like to discuss during the interview. You do not have to answer every question and you are welcome to bring up other issues that are not covered in the questions below. During the interview, we might discuss new questions that arise or are considered important for further clarification on particular topics. I am interested in getting to know your perspectives on Indonesia's foreign policy especially with regard to the concept of the maintenance of a dynamic equilibrium in the region.

*Note: Prompt Questions are only to be addressed during an in-depth interview.*

1. According to much of literature, China's rise has come along with the growth of its military power. Do you agree that this will influence the dynamics of regional security and stability in Asia?
  - a. strongly agree
  - b. slightly agree
  - c. neutral
  - d. do not agree
  - e. do not know
  
2. China's current rise poses a threat to Indonesian national interests. Do you agree?
  - a. strongly agree
  - b. slightly agree
  - c. neutral
  - d. do not agree
  - e. do not know

*Prompt Question:*

*To what extent does it influence Indonesian national interests; to what extent will the military development influence bilateral relations between Indonesia and China (including the issue of China's six-dashes on its map near the Indonesian territory of Natuna Island)?*

3. Indonesia needs China's rise to balance U.S. dominance in Asia. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

4. Indonesia needs China's rise to end its dependence on the U.S. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

Prompt question

*Highlight the fact that the U.S. military embargo in the 1990s has caused the Indonesian military in the state of disrepair.*

5. U.S. presence is needed to balance China in the region. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |
6. U.S. presence in Asia poses a threat to Indonesian national interests. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |
7. Japan's intensified reengagement in Asia poses a threat to Indonesian national interests. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

8. Which do you prefer most (*please circle only one choice*):
- |   |  |
|---|--|
| a. China's rise in Asia without the presence of the U.S. military dominance |  |
| b. China's rise in Asia with the presence of the U.S. military dominance    |  |

- c. The presence of sole U.S. military dominance in Asia
  - d. The presence of a hierarchical like order in which the U.S. is a dominant superpower at the top of the order and the other major great powers including China and Japan are at the immediate lower level of the hierarchy.
9. Currently, what do you think of the threat of China's rise? (*choices of more than one are welcomed*)
- 1) Indonesian territorial integrity in view of China's military assertiveness and expansionism;
  - 2) Indonesian economy in view of China's massive exports and attractiveness to foreign investment
  - 3) The loyalty of Indonesian Chinese to the Republic of Indonesia in view of the rise of Chinese nationalism to the People's Republic of China
  - 4) Indonesian national ideology in view of Chinese ideology (communism; socialist)
  - 5) Other: \_\_\_\_\_
10. The potential rivalry between China and the U.S. will harm the stability of the region and in turn influence Indonesian national interests. Do you agree?
- a. strongly agree
  - b. slightly agree
  - c. neutral
  - d. do not agree
  - e. do not know
11. Please write the troubles that you perceive as potentially arising out of China, Japan and U.S rivalries in the region which have impact on Indonesia - either direct or indirect (*more answers are welcomed*):
- 1) \_\_\_\_\_
  - 2) \_\_\_\_\_
  - 3) \_\_\_\_\_
  - 4) \_\_\_\_\_
  - 5) \_\_\_\_\_
12. Current Indonesian foreign policy is shaped by the search for the maintenance of dynamic equilibrium in the region. Do you agree?
- a. strongly agree
  - b. slightly agree
  - c. neutral
  - d. do not agree
  - e. do not know

Prompt Question:

- What interests of Indonesia are currently at stake leading the country to promote the policy of the maintenance of dynamic equilibrium;
- A prominent scholar, Muthiah Alagappa emphasises, the rule-governed interaction implies that the key criterion of order is whether interstate interaction complies with accepted rules and not whether they sustain particular goals. According to this concept, it can be assumed that the objective of the dynamic equilibrium, (which is to establish peace, security and stability), is not an ultimate end, rather it is a process that requires the adoption of accepted rules governing the regional interaction. Does the concept of 'dynamic equilibrium' set an operational objective towards an establishment of international regime to monitor an international or regional order?

13. Indonesia's concept of supporting the maintenance of a dynamic regional equilibrium is effective to promote peace and stability in the region. Do you agree?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

14. Indonesia's policies reflecting a spirit to promote peace, security and stability in the region have been pursued in current Indonesia's foreign policy. Do you agree?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

**Indonesia – China Relations**

15. Current Indonesia's foreign policy to China has been developed to promote a spirit that speaks for 'common good' and to sustain peace and stability in the region. Do you agree?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

Prompt Questions:

- *In what ways is this bilateral relationship distinct from others?*
- *In this context, what does it actually mean for Indonesia to engage with China?*
- *Highlight prime bilateral policies that Indonesia pursues with China? (Note: In this study, the policies will be accessed under the light of the concept of the maintenance of a dynamic regional equilibrium; are the policies really reflecting the concept; do the policies resemble Indonesia's balancing act, etc.?)*
- *In relation to the question above, highlight two major issues; (i) Indonesian-China military cooperation and (ii) Indonesia-China economic and functional cooperation.*

16. China's rise will dominate regional waters, in turn harming Indonesia's strategic interests. Do you agree?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

(Note: This question is particularly related to the manoeuvres of China's military vessels in January 2014 in the South China Sea and Indian Ocean (southern part of Indonesian Sea) and the statement made by Indonesian Defence Ministry spokesman Wayan Midhio in June 2010. The statement of Indonesian Defence Ministry confirmed that the Malacca Strait, along with the South China Sea and the Andaman and Nicobar Islands in the Indian Ocean, are Indonesia's top three security priorities.<sup>240</sup> Jakarta believes that keeping these waters free from external domination is the key to preserving its own security and sovereignty. If a foreign power were to gain a foothold in any of these waterways, it could be in a position to deny access to commercial and naval shipping).

**Indonesia – Japan Relations**

17. Current Indonesia's foreign policy toward Japan has been developed to promote a spirit that speaks for 'common good' and to sustain peace and stability in the region. Do you agree?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

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<sup>240</sup> International Institute for Strategic Studies, 'Malacca Strait tops RI defense agenda in region,' (9 June 2010).



Prompt Questions:

- *In what ways is this bilateral relationship distinct from others?*
- *In this context, what does it actually mean for Indonesia to engage with Japan?*
- *Highlight prime bilateral policies that Indonesia pursues with Japan? (Note: In this study, the policies will be accessed under the light of the concept of the maintenance of a dynamic regional equilibrium; are the policies really reflecting the concept; do the policies resemble Indonesia's balancing act, etc.?)*
- *In relation to the question above, highlight two major issues; (i) Indonesian-Japan military cooperation and (ii) Indonesia-Japan economic and functional cooperation.*

**Indonesia – U.S. Relations**

18. Current Indonesia's foreign policy toward the U.S. has been developed to promote a spirit that speaks for 'common good' and to sustain peace and stability in the region. Do you agree?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

Prompt Questions:

- *In what ways is this bilateral relationship unique?*
- *In this context, what does it actually mean to engage with the U.S.?*
- *How do you perceive U.S.' current influence and role in the region following the country's pivot (reengagement or rebalance) to Asia and its recent successive economic crises?*
- *Highlight prime bilateral policies that Indonesia pursues with the U.S.? (Note: In this study, the policies will be accessed under the light of the concept of the maintenance of a dynamic regional equilibrium; are the policies really reflecting the concept; do the policies resemble Indonesia's balancing act?, etc.)*
- *In relation to the question above, highlight two major issues; (i) Indonesian-U.S. military cooperation and (ii) Indonesia-U.S. economic and functional cooperation*

19. In relation to Indonesia's bilateral relations with the U.S., Japan, and China, how strongly do you agree that each bilateral relationship that Indonesia develops with one country will be at the expense of a relationship with the others?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

Prompt Question:

*Can the relationship between Indonesia and the U.S. or Indonesia and Japan be referred to as a balancing or hedging move against China and vice-versa the relationship between Indonesia and China be interpreted as a balancing move against the U.S.?*

20. China has occasionally expressed its uneasiness over the U.S.' pivot to Asia particularly since the former considers the pivot as the latter's effort to balance with regional countries against the interest of China. How strongly do you believe that China's uneasiness toward the U.S will influence the dynamics of the region?

- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

Prompt Question:

- *In the context of Indonesia's search for a dynamic equilibrium, where Indonesia should stand in the dynamics of the U.S. – China relationship?*
- *From the following countries: China, U.S. and Japan, in what ways do each or all constitute threats (or not) to Indonesian strategic interests?*
- *Do you perceive that China's rise has also brought about the rise of its structural power?<sup>241</sup> In this respect, in what way do you perceive that China's rise influences the dynamics of regional institutions, especially ASEAN, the East Asia Summit and the Asian Regional Forum?*

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<sup>241</sup> Structural Power is a concept broadly described as the ability to influence rules, norms and the 'structure' of the relationship patterns within the international system. Structural Power is also based on the ability and capacity of an actor to socialise with other actors in foreign relations to gain either material or political goods (such as prestige and diplomatic influence) (Lanteigne 2013)

### Indonesia in ASEAN and the Families

21. ASEAN has played role in coordinating and bringing all players in the region into a harmonious engagement which is free from hegemonic and conflictual tenors. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |
22. Regional transformation, which is highlighted by China's rise, U.S.' pivot (reengagement / rebalancing) in Asia and Japan intensified engagement, has influenced ASEAN cohesion. Do you agree?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |
23. How strongly do you agree that the influence of external powers (non-ASEAN members) is significant on the ASEAN decision making process (for example, one of the dynamics here refers to ASEAN's position on the South China Sea disputes)?
- |                   |                 |
|-------------------|-----------------|
| a. strongly agree | d. do not agree |
| b. slightly agree | e. do not know  |
| c. neutral        |                 |

### Prompt Questions

- a. *In terms of promoting a spirit that speaks for 'common good' and sustain peace and stability in the region, how is Indonesia's foreign policy developed and practised within ASEAN and the Family?*
- b. *In the context of the maintenance of a dynamic equilibrium, what do you expect ASEAN will do in the future and how Indonesia can contribute?*
- c. *Will various exclusive bilateral relations affect the advancement of regional cooperation in East Asia?*
- d. *Highlight prime policies that Indonesia pursues in regional organisations? (Note: in this study, the policies will be accessed under the light of the concept of the maintenance of a dynamic regional equilibrium; are the policies really reflecting the concept; do the policies resemble Indonesia's balancing act?)*
- e. *In retrospective of the case of East Timorese referendum in 1999, Indonesia had requested the participation of ASEAN countries to monitor the referendum for its mistrust of other non-regional troops supervising the poll. However, due to ASEAN's lack of mechanism, the regional organisation failed to send the troops monitoring the poll. Do you think ASEAN needs to have one and how Indonesia propose it?*

**Research Ethic Committee Approval**